Report of
the Nova Scotia Royal Commission
on Pensions

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Nova Scotia

1983

VOLUME ONE

REPORT

OF

THE NOVA SCOTIA

ROYAL COMMISSION ON PENSIONS

VOLUME I

Pursuant to an Order in Council dated August 11, 1981,

Charles Vaughan of Halifax, in the County of Halifax, Chairman,

Dr. Ellen McLean of Eureka, in the County of Pictou, Vice-Chairman,

J. Bruce MacDonald of Halifax, in the County of Halifax, Secretary,

William Marsh of New Waterford, in the County of Cape Breton,

Herbert Hart of Dartmouth, in the County of Halifax,

Mrs. Rose Chandler of Liverpool, in the County of Queens,

Stewart Vair of North Sydney, in the County of Cape Breton,

George Piercey of Halifax, in the County of Halifax, and

R. Aurele Bickerton of Canning, in the County of Kings,*

were appointed to be Commissioners under the Public Inquiries Act to consider pension needs of Nova Scotians and to make recommendations on necessary or desirable changes in laws and regulations pertaining to pensions of Nova Scotians. The Royal Commission, as so constituted, submits its findings in this Report.

*Mr. Bickerton resigned from the Commission on November 10, 1981.

The Mandate of the Commission was:

1. To consider pension needs of Nova Scotia, and to make recommendations on necessary and desirable changes in laws and regulations pertaining to pensions of Nova Scotians and without restricting the generality of the foregoing:
    a) to study practices, legislation and regulations relating to pensions in the private and public sectors and programs for retirement incomes in Nova Scotia and elsewhere;
    b) to consider reports of legislative and other committees, pertaining to retirement incomes, undertaken at the Provincial and Federal levels of Government in Canada and elsewhere, and
    c) to report to the Executive Council on the findings of such inquiries and examinations.
2. To examine the financial, fiscal, social and economic implications of the present and future financial policy in Nova Scotia and in Canada generally.
3. To consider and make recommendations to the Executive Council concerning pension requirements of groups of persons in special categories of employment, bearing in mind the diverse nature and numbers of persons, both self-employed and in small groups of employees, in various regions of Nova Scotia.

The Commission has met on a number of occasions, has consulted with Government Officials, Federal and Provincial, has sought the counsel and advice of persons deemed highly qualified on pension matters, has conducted public hearings and meetings in Halifax, Sydney, Truro, Kentville, Bridgewater and New Glasgow, has obtained and studied many reports of pension law and practices in Nova Scotia, Canada and elsewhere, has read the report of the Haley Commission of Ontario and other legislative reports and has received submissions from a number of individuals, companies and associations.

A detailed study of the retirement planning and pension incomes of Nova Scotians was completed. Public records and statistic analyses have been examined, surveys have been undertaken and a series of interviews of retired persons was conducted.

After hearing many presentations and through the study of background material, the Commission, as a group, developed a common philosophical position. Drawn from diverse backgrounds, the members of the Commission reached early agreement on the need to maintain a base of public support for Canada's elderly. The Commission subscribed to the pattern of development in the provision of such support in the light of prevailing circumstances. This endorsation of the components of the existing means of maintaining the oldest ten percent of the population does not imply total acceptance of all of these elements or support for the degree to which each contributes to the total effect.

Canadians living in retirement are those who lived through the economic problems of the 1930-1940 great depression and the upheavals of the Second World War. Many are immigrants to Canada who suffered great hardship in their native lands and endured continuing personal turmoil, family dislocation, privation and economic loss. Many arrived in this country with little more than hope. Very few in these circumstances were able to reserve any funds for their years of retirement.

The comparatively brief history of public pensions and the limited experience in the operation of public contributory pensions provides little by way of guidelines. The review of this experience and the study of the government's involvement in the providing of funds for the maintenance of the elderly leads to the conclusion that some changes are required not only in the role of government, but in the habits and attitudes of the public, as workers and employers.

The Business Committee on Pension Policy* very succinctly describes the roles of government and the individual in its provision of retirement income, in a submission to the federal government and all provincial governments, dated August 6, 1982 as follows:

> **"The first priority of federal and provincial governments in the field of pension policy should be to ensure that the incomes of retired Canadians are not less than an appropriate recognized poverty line. The primary responsibility for income beyond the poverty line should rest with individuals and employers."**

The Commission interprets the role of government to be that of an instrument whereby elderly Canadians are guaranteed retirement income at least to the poverty line, so called, and further, through a variety of measures provides for all citizens the opportunities to reserve and safeguard funds for their support and comfort in old age.

The Commission believes that the provision of adequate retirement income is, and will remain, the responsibility of the individual citizen. This does not suggest the dismantling of the present public pensions and allowances or the abolition of supplementary programs. Rather, it means that the individual must be concerned for the provision of sufficient income if life in retirement is to be lived at or close to the same general standard as that enjoyed in productive years.

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*The Business Committee on Pensions Policy is a study group of representatives of nine business associations interested in pension policy. Particpating organizations include: Association of Canadian Pension Management, Business Council on National Issues, Canadian Chamber of Commerce, Canadian Federation of Independent Business, Canadian Life and Health Insurance Association, Canadian Manufacturers Association, Canadian Securities Industry Pension Reform Committee, Financial Executives Institute Canada and the Canadian Bankers Association.

This can only be achieved through participation in public and private pension plans and various other methods of reserving current revenue for future comfort. Just as the individual citizen has the primary role in achieving this goal, governments have continuing roles to play if a general improvement in the provison of retirement income is to be attained.

To achieve these goals of self-sufficiency in old age, some elements of discipline on the part of individual Canadians and the application of some degree of compulsion by governments will be required if Canada is to move from the present situation where most of the elderly are drawing a substantial portion of their retirement income from the Guaranteed Income Supplement, which can most accurately be described as a form of social welfare payments.

The Commission considered these programs and suggests alternatives through the recommendations in this Report which it has the honour to present.

Many submissions to the Commission supported the proposition that pensions are a form of deferred wages. There is growing acceptance for this thesis not only by employees but also among employers. However, to suggest that contributions to pension plans by employers are merely a form of deferred wages opens the way for arguments that such are the property of the employee without qualifications and should be made available to the employee upon request. Many employers report that they have received requests, especially from younger employees, for a release to them of such funds to facilitate the purchase of an automobile, to acquire a home or to clear off accumulated debts.

Most submissions support the thesis that contributions made to pension plans are the property of the employee. These funds must be regarded as "trust funds" held on behalf of the employee for a specific purpose and not available to the employee before attaining qualifying age or incurring work-stopping disability.

Mr. Roland Boutin of Quebec City, a former official serving the Quebec Pension Plan, speaking to the Commission on March 26th, 1982, described the employer's contributions to a pension plan to be a form of wages held "in trust" for a particular purpose recognized by all parties as specifically designated for these purposes and no other. He succinctly described such contributions as "wages reserved for deferred consumption".

The Canadian Life and Health Insurance Association Inc. in a brief submitted to the Commission stated:

> **"No longer is it acceptable to regard a private pension plan as a kind of reward for long service or a means by which an employer supports those who have dedicated their lives to an organization. The nature and expectations of the work force today are such that we either change that concept or we accept a vastly reduced role for private pension plan within the total retirement system".**

The brief from the Canadian Council on Social Development stated,

> "...if, as is the dominant perception today, pension entitlements are really deferred wages, then employees should have access to much greater information and a greater voice in the management of their mutual investment pension monies..."

The submission by the Canadian Labour Congress made this point on the "deferred wage" hypothesis:

> "Our experience in dealing with single employers who sponsor pension plans makes us acutely aware of the fact that no matter how pension costs might nominally be divided between workers and their employers, the costs are ultimately going to be borne by the workers. The key issue that typically arises in pension negotiations is how much a certain plan, or new feature of a plan, is going to cost. The point may be made in so many words or only by implication, but the point is made, nonetheless, that if the workers want pension benefits of a certain type, they will have to give up take-home pay to get them."

Mr. Lawrence E. Coward, of William M. Mercer Limited, recognized as one of Canada's outstanding pension authorities, speaking at the "Probing the Pension Issue" conference in Toronto in November 1981 said:

> "It is now almost universally accepted that pensions are a form of deferred pay. I agree with the principle if the employees and former employees are looked upon as a group, but not if they are considered as individuals. The value of pensions and other fringe benefits plus salary or wages makes up total compensation. A future pension increase is often accepted instead of a present pay increase and some unions have even accepted increases for the retired group in lieu of wages. The employee certainly regards his pension as earned, not as a gift. Pensions are certainly deferred, so if we agree that they are earned, then they must be deferred pay."

At the same conference, Cecil G. White, Vice President, Metropolitan Life Insurance Company said:

> **"The philosophy that pensions represent deferred compensation is gaining wider acceptance by both employers and employees."**

The Association of Professional Engineers of Nova Scotia, in making a submission to the Commission said, in part:

> **"How are pensions defined? Pension contributions by employers are not voluntary contributions, but rather a regular cost of doing business, the expenses of which are from pre-tax earning as are regular wages. Pension plans are an explicit contract between the employer and the employees, the benefits of which are traded-off against higher current income. Therefore, pension benefits can be viewed as a form of deferred wage which does not, in general, reflect the paternalism or benevolence of the employer."**

The Commission agrees with the premise that pensions are a form of deferred wages or compensation.

The Commission regards contributions made to a pension plan by an employer to be monies held "in trust" and invested for the purpose of providing funds for the provision of a pension in retirement, for the payment of allowances in the event of disability prior to attaining retirement age or for allowances for spouse or dependents in the event of the death of the contributor where such are provided for in the pension plan.

The Report of the Commission reflects the acceptance of this thesis that pensions are a form of deferred compensation.

The Commission presented an Interim Report under date of June 21, 1982. The Interim Report was filed because the Commission believed that several particular issues required immediate attention. They were the Child Drop-Out Provision suggested for the Canada Pension Plan and a recommendation to request the Federal Government to amend the Income Tax Act to allow for a change in the Registered Retirement Savings Plan regulations.

The particulars of the recommendations of the Interim Report are as follows:

I. - CHILD CARE DROP-OUT - CPP

The Canada and Quebec Pension Plans provide that in the calculating of average pensionable benefits, up to 15 percent of the contributory months with the lowest adjusted earnings may be eliminated.

The Quebec Pension Plan also provides that months, during which the contributor was receiving family allowances with respect to a child of less than 7 years of age, can be dropped out if this is to the advantage of the contributor. The Government of Canada has adopted amendments to the Canada Pension Plan which, when given Royal assent, will allow for the "child care drop-out" provision as requested in a number of submissions to the Nova Scotia Royal Commission on Pensions.

Royal assent was withheld pending agreement of the provinces. Ontario and British Columbia applied their right of veto and, consequently, no action could be taken. The Province of British Columbia has now lifted its objection to the amendment and a select committee of the Ontario Legislature has recommended approval of the revisions to the Canada Pension Plan.

Nova Scotia should re-affirm its support for these measures designed to take into consideration the years when a contributor to the Canada Pension Plan drops out of the labour force to care for dependent children.

The Commission recommends that:

1 - **THAT THE GOVERNMENT OF NOVA SCOTIA AGAIN ADVISE THE GOVERNMENT OF CANADA OF ITS APPROVAL OF THE AMENDMENTS TO THE CANADA PENSION PLAN WHICH WILL ALLOW FOR THE DELETION OF YEARS DEVOTED TO THE CARE OF DEPENDENT CHILDREN IN THE CALCULATION OF PENSION BENEFITS. (THIS HAS BECOME POPULARLY KNOWN AS THE "CHILD-REARING DROP-OUT" PROVISION.)**

II. REVISION OF FEDERAL RRSP LEGISLATION

Many submissions to the Nova Scotia Royal Commission on Pensions have stressed the desirability of having a "locked-in" Registered Retirement Savings Plan. Many believe it to be a necessary part of the body of law relating to the accumulation of funds for retirement income.

Federal legislation now provides for Registered Retirement Savings Plans, but any funds so deposited may be withdrawn at any time. The Commission recognizes that RRSP's are an important part of retirement income planning for many Nova Scotians. It has been demonstrated to the satisfaction of the Commission that there is a need for an amendment to the law to permit the establishment and management of immured or locked-in RRSP's. Such legislation would allow contributions to be tax deductible as at present and would provide for individual control over the investment of the funds on deposit.

The enactment of provisions for the creation of immured or locked-in RRSP's will provide a mechanism to improve the portability of pension benefits. Such legislation will be beneficial to private employers. Small business operators could use such a device to avoid the responsibility of maintaining a multiplicity of small pension accounts of former employees.

Workers will benefit because the pension contributions paid during short terms of employment may be deposited in the worker's immured or locked-in RRSP thus safe-guarding the pension benefits. Such accounts should be enriched in periods of high interest yields and will thus gain some measure of protection against erosion in value due to inflation.

The suggested amendment to the Federal law would provide an option for the preservation of funds for pension purposes and could encourage private pension plan sponsors to voluntarily compress the time required for the employer's contributions to be vested in the name of the employee.

The Commission recommends that:

2 - THAT THE GOVERNMENT OF NOVA SCOTIA REQUEST THE GOVERNMENT OF CANADA TO AMEND THE LEGISLATION WITH RESPECT TO REGISTERED RETIREMENT SAVINGS PLANS TO PERMIT THE CREATION AND MAINTENANCE OF IMMURED OR LOCKED-IN RRSP'S. SAID LEGISLATION TO BE BY WAY OF AN EXTENSION TO THE EXISTING LAW RESPECTING RRSP'S.

It is understood that action has been taken by the Government of Nova Scotia on those two recommendations.

To better understand the present situation with regard to the provision of retirement income, a brief history of the development of old age pensions is presented. This history covers only a period of little over one hundred years during which the concept of retirement pensions came into being and developed to the present stage.

An understanding of the historical background is necessary to appreciate the present conditions.

OLD AGE PENSIONS - A HISTORICAL OVERVIEW

The golden years, a time for a secure and happy retirement after a lifetime of labour, or a survival nightmare for our aged?

That has been a challenge for the aging, a point of conscience for society and a quandry for governments over many generations.

It was Julius Caesar who is credited with initiating the first formal pension system by making grants of land to discharged Roman soldiers.

The government of England followed a similar policy in Canada as a reward for colonial service in the Royal Armed forces.

The concept of land grants to large numbers of soldiers and sailors contributed greatly to the fragmentation of land ownership in Nova Scotia and interfered with efficient utilization of the province's forest resources.

From Elizabethan times in Great Britain, various Poor Laws provided the only organized aid to the poor and the aged. Based on a levy on real property, the Poor Laws placed responsibility for the alleviation of want squarely on local authorities. This system carried over into Canada, Australia, and New Zealand. The aged poor were placed in municipal poor houses or workhouses but very often the aged became the responsibility of the family and most were provided for within the family circle.

T.O. Lloyd, in his book "Empire to Welfare State" - English History 1906-1967 - stated:

> "From the first very rudimentary social legislation of the 16th century onwards, responsibility had always lain with the local authorities, parishes, poor law unions, municipalities, however, changes had always been in the direction of greater centralization and almost all 20th century social legislation has involved transferring services to the central government."

The Mahon Royal Commission on Pensions, Nova Scotia 1930, noted:

> "The earliest experiments in Old Age Pensions were of the voluntary type. France was the experimenter. The French Act of 1850 which was copied in its material features by other countries, including Belgium, England, Italy, Spain, and Canada, provided for the purchase by all citizens of annuities payable from a government insurance fund beginning between the ages of 50 and 60 at the option of the recipient.
>
> At no time did this act achieve any considerable measure of success. Although it was modified extensively by subsequent legislation, experience has shown quite conclusively that voluntary insurance as a means of bettering the condition of the aged poor is almost entirely ineffectual. Its benefits so far as they have been enjoyed at all, have been restricted to a small section of the population whose need is comparatively little. Based as it is on the co-operation of spontaneous individual savings, it pre-supposes a degree of ability to save sufficient to stimulate voluntary payments on the part of the beneficiary. On this account it fails to embrace within the pale of its benefits the great mass of those whose entire means are needed to provide a narrow subsistence, as well as those who, having a small surplus over, deem saving for the remote chance of ever attaining old age to be too great a

> gamble as compared to the very urgent needs and desires that cry out for immediate satisfaction. Consequently, the voluntary method has been generally abandoned until at the present time, Canada is the only country of importance retaining it, and here it is not a matter of great consequence. Since the enactment of the Government Annuities Bill in 1908, only 10,000 annuity contracts have been issued. Even this slight indication of success does not mean that any considerable proportion of those who have secured annuities are those most in need."

In 1889, Count Bismarck, the German Chancellor, as part of a program of social insurance, introduced Old Age Pensions.[1] It was financed on a tri-partite support system with the state, employees and employers sharing the premiums of the social security program covering sickness, accidents, and old age. Pensions became payable at age 70 and in 1907 the number of old age pensioners and disabled persons in Germany was only 1.47 percent of the population.

Australia and New Zealand moved more quickly into the field of old age security. In Australia, the States of New South Wales and Victoria began to pay old age pensions about the end of the year 1900.

The Commonwealth of Australia introduced a nation-wide program on July 1st, 1909[2]. Commonwealth pensions were paid in the maximum amount of ten shillings per week to those over 65 years of age and to those over 60 years if incapacitated. In 1910, the qualifying age for women was reduced to 60 years and blind persons were also included. Pensions were based on a means test and were denied to those who had an income of more than One Pound per week; and to holders of property exceeding 310 Pounds in net value. The plan was non-contributory and financed from general revenue.

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[1] William Harbutt Dawson, Social Insurance in Germany, (T. Fisher Unwin, London 1912), Pgs. 19-20.

[2] Department of Labour (1929), Canada Old Age Pensions in Canada, Pg. 35.

New Zealand's experience closely parallels that of Australia except that not only did the pensioners have to attain the age of 65 if male and 55 if female, but also "must be of good moral character, have lead a sober and reputable life during the preceding five years"[1].

The United Kingdom introduced a non-contributory Old Age Pension scheme in 1908. In 1911, pensions were provided for those over 70 years of age and whose yearly means did not exceed 31 Pounds, Ten Shillings[2]. The pensions were not payable to those "who habitually have failed to work according to ability, opportunity and need". As noted, contributory Old Age Pensions originated in Germany in 1889[3] and in the following forty years were adopted by fifteen other countries including France, Italy, Spain, Sweden, and Great Britain.

As has been demonstrated, the compulsory system requires a well organized economic system with a predominately industrial work force as well as provision for payroll deduction of contributions. The compulsory system of Old Age Pensions is not very practical in predominantly agricultural countries. For this reason the first non-contributory Old Age Pension system was introduced in agricultural Denmark (1891)[1] and the method was generally adopted by countries in the New World. History shows that non-contributory pensions were often adopted as a stepping-stone to a contributory system. Evidence of this is the change from non-contributory to a partially contributory plan by the United Kingdom in 1925 and by Belgium in 1926.

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[1] Op.Cit. (Pg. 3,(2)), Pg. 36

[2] Ibid., Pg. 33

[3] Mahon Commission - Interim Report, Pg. 30

The Mahon Commission report of the 1930's stated:

> **"The voluntary and contributory schemes ought not strictly speaking, to be called 'pensions' since the word 'pension' implies a payment in consideration of past service."**

Canada's first move into the provision of general retirement income was the adoption in 1908 of Bill 120, an Act to authorize the issue of Government Annuities for old age. The thinking of government is evident in the preamble to the Act which reads as follows:

> **"Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provisions be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: therefore..."**

In March 1908, the Minister of Finance stated in the House of Commons:[2]

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[1] Op. Cit. (Pg. 4, No. 3)

[2] House of Commons Debate 1907-08, Pg. 4690.

> "Let me first observe that it is necessary to guard against any confusion of this Bill with the proposals respecting Old Age Pensions which were discussed in the House several weeks ago, and which have not been referred to the consideration of a Committee of this House. Old Age Pensions as commonly understood imply a contribution wholly or largely from the public treasury. This measure proposes nothing of that sort. It is not contemplated by this Bill that any contribution shall be given by the Government, unless it be in the rate of interest allowed on the moneys collected but except in that way it is not contemplated that anything shall be paid by way of contribution out of the public treasury. (See Debates, 1907-08, page 4690.)"

These Government Annuities, usually subsidized by the Government, remained for some sixty years a popular form of investment for retirement income.

The Government of Nova Scotia, in 1907, appointed a Royal Commission to study the subject of Old Age Pensions. Headed by Walter Crowe, Q.C., of Sydney, the other Commissioners were: Hon. R. Drummond, Stellarton; S.B. McNeil, Glace Bay; and W. Hodge of Springhill.

The Commission reported to the Legislature on February 24, 1908. The Commission "did not think that any general scheme of pensions for all workmen was possible on account of the limited resources of the Province". The report did, however, suggest a means of providing for Nova Scotia miners in their old age and for the reorganization of miner's relief societies.

Based upon the suggestions contained in the Royal Commission's Report, Premier George Murray carried through the Legislature a Bill incorporating the Nova Scotia

Colliery Workers' Provident Society and creating an Old Age Pension Board. Premier Murray said that about 8,000 of the province's 12,000 miners had contributed $65,000 in the previous year to the existing miner's relief societies, that $60,000 had been distributed to widows and orphans and that the total of the surplus fund of the societies was estimated to be $40,000.

The new law provided that every person employed in or about a coal mine was to be a member of the provident society unless he suffered from any chronic disease. When 30 persons were employed in any one coal mine, a branch of the society was to be formed.

A Board was created consisting of the Commissioner of Works (Chairman), the Provincial Treasurer, Deputy Commissioner of Works, a member selected yearly by the mine operators and two members appointed by the local provident societies.

The powers of the Board included the establishment and supervision of the branch societies, the formulation of a scheme providing old age and total disability pensions for members and the determination of the contributions to be made by the miners and mine operators. The Board was to have custody of all funds in excess of $1,000 in the hands of any one branch and the mine operators were empowered to deduct the miners dues from their wages.

The cost of providing pensions and total disability compensation was to be shared by the workers, the mine operators and the Provincial Government. The Government was to contribute 12 and one-half cents per month for each member of a branch society up to a total maximum of $18,000 and a similar monthly contribution to the old age pension and total disability fund. Mine operators were required to contribute one-half cent per month for each member of a local society and 75 cents per year per member into the old age pension fund.

At this time, the National Government was beginning to show some interest in pension matters. In the House of Commons, on January 17, 1912,[1] J.H. Burnham moved:

> "that in the opinion of this House, it is expedient that a select committee shall be appointed by this House to make inquiry into an old age pension system for Canada with power to send for persons, papers and records and to report from time to time".

Mr. E. M. MacDonald, (Pictou), seconded the motion and later in debate said:

> "it is said by some gentlemen who discussed this question that we have an annuity system in Canada and consequently we have solved the problem. I do not appreciate that proposition at all. The annuity system does not reach that class of men, honest but poor, who are not able to accumulate enough money to buy an annuity. Annuities after all are only within the reach of people who have a surplus of funds and are in a position that will enable them to speculate in a financial proposition".

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[1] House of Commons Debates 1912.

In the course of the debate on the motion, Mr. J. H. Burnham (West Peterborough) said:

> "As near as I can ascertain, the number of people in Canada today who would come within the pervue of Old Age Pensions is about 30,000. The number of people 70 years of age and over is of course vastly greater than that; but no Old Age Pension Act contemplates the payment of a pension to people who are not in need of it; they must have very limited resources and be otherwise in a condition to warrant it. The principle upon which the whole system works is the principle of rescue. If we reject Old Age Pension, we are deliberately rejecting something intended as a modern, progressive, scientific substitute for indiscriminate charity and poor relief.
>
> In England, a pensioner must have reached the age of 70 years, and must, for at least 20 years, up to the date of the receipt of any sum on account of the pension fund, have been a British subject and have his residence in the United Kingdom. The means of a person, as calculated under this (The United Kingdom Act), must not exceed £31-10S. Applied to Canada, the total annual fund would be about $2,250,000. This would have the effect of giving those over 70 years of age coming within the stipulation of this Act, a pension running from half a dollar to probably $1.50 per week."

On January 26, 1912, Mr. E. M. MacDonald (Pictou) said:

> "It is in the interest of the State that the most ideal conditions possible should prevail and if we cannot have them ideal, conditions as close to that as you can get them should exist for older people. What are these conditions? They are, first, personal comfort. The very least that anyone who has come to the age of 65 or older should demand inherently, supposing he

> has done the best he could in his own particular sphere, is that he should have an element of personal comfort which is a condition of things essential to all persons at that time of life. Then, persons who have reached this age ought to be able to have some idea of independence in their actions and thoughts.
>
> The very least that the State can be expected to do is to provide those conditions of comfort and independence which do not exist today for people who have reached the time of life of which I have spoken." [1]

The resulting inquiry by the special select committee produced a wealth of information, all favouring the creation of a universal old age pension system. It is interesting to note that witnesses appearing before the committee were asked to express an opinion on whether or not the provision of a universal old age pension would discourage the practise of thrift in the populace!

The Special Select Committee of the House of Commons examined what was then known as the Pension Fund Societies Act, the same having been established under the provision of a Federal Law enacted in 1887. The plans examined were divided into four categories:

A. A so-called non-contributory system where all contributions were made by the employer;

B. Systems where only the employee contributed;

C. Systems where employers and employees contributed in equal proportion, including the Inter-Colonial Railway (serving some of Nova Scotia) and,

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[1] House of Commons Debates - 1912

D. Systems where employers and employees made unequal contributions (one being the Halifax Police Pension Fund Society).

The Federal Government Civil Service Superannuation Plan initiated in 1870 provided for the payment of allowances after having attained the age of 60 years and at least 10 years of service. (Government service prior to 1867 was included for pension purposes).

Contributions of employees was at the rate of 4 percent of salary over $600 per year and 2 and one-half percent if less than $600, with maximum pension fixed at 70 percent of average of the last three years service. A maximum pension of $3,500 was established in amendments to the Superannuation Act of 1906. Pensions for Supreme Court Judges were set at 66 2/3 percent of salary at the time of resignation but, if retired at age 70 or 75 with 30 years of service, the annuity granted was to be equal to salary earned in the final year of retirement.

At the Nova Scotia Provincial Government level, "fringe benefits" for civil servants were non-existent. Pensions were provided to Government Officials upon the passage of a special act through the bicameral legislature. Such "ex-gratia" pensions were usually struck at one-half of the retiring official's salary.

Nova Scotia teachers were treated more uniformly, having a plan operating for many years under the statutes of Nova Scotia. The plan provided for allowances to those who had taught in Nova Scotia for 35 years or had attained the age of 60 with 30 years of service. The allowances paid ranged from $60 to $210 per annum. Inspectors' retirement allowances were not to exceed $600 per annum and they must have contributed $50 annually to the fund.

The City of Halifax did have an established plan covering officials (not all employees); police and firemen. Sixty-five was the retirement age and pensions to four retired officials and eleven policemen ranged from $300 to $1,500.

In response to a questionnaire sent out by the House of Commons Select Committee, the condensed version of the reply of Dartmouth's Town Clerk - A. Elliott, was:

> **"The Town Council considers that legislation (establishing Old Age Pensions) would be desirable. Between 50 and 100 over 65 years in the Town would be greatly helped."**

Mr. M. D. Cooper, Secretary, writing on behalf of the Halifax Trades and Labour Council reported:

> **"Unanimously and heartily in favour of the enactment."**

A number of private corporations were queried but, apart from the chartered banks and railroads, very few had pension plans in operation for their employees.

The 1912 inquiry reports the testimony of John J. Joy, long time labour leader and business agent of the Longshoremen's Association in Halifax. Mr. Joy endorsed the proposal to establish an Old Age Pension scheme and spoke of prevailing conditions in Halifax and in the life and work of longshoremen in Halifax.

The Committee was advised that after making certain adjustments to take into account the lower average ages in western Canada, the census office concluded that the percentages of the population 65 years of age and over were:

1891----4.527 percent
1901----5.015 percent
1911----5.015 percent

No concrete action was taken on the work of the Select Committee. The Great War of 1914-1918 took all the attention of the government. It was not until 1927 that the Government of Canada acted to provide for old age pensions (subject to a means test) by agreeing to share the costs with each province.

Prior to the enactment of the Old Age Pensions Act of 1927, the government had resisted the introduction of pensions because of the associated cost and the pre-supposed reduction in thrift and individual preparation for retirement which would accompany their enactment. On several occasions, the Federal Government had delayed action by referring the issue to committee for study. Only the intervention of two Labour members, J. S. Woodsworth (Winnipeg North-Centre) and A.A. Heaps (Winnipeg North), who held the balance of power in the Commons after the general election of October 1925, led to the commitment on the part of MacKenzie King's minority government.

> **"On the opening day of the session (January 7, 1926), they jointly sent identical letters to King and Meighen, asking if it was their intention "to introduce at this session legislation with regard to (a) provision for the unemployed; (b) Old Age Pensions".**

> Meighen's reply, which was dispatched almost immediately, was haughty and non-committal. Kings's initial response was to invite the Labour Members to discuss the matter with him privately. In the negotiations which followed, King agreed to proceed with Old Age Pensions and to offer assistance to the provinces and municipalities in providing emergency relief for the unemployed. He was not unhappy to have the issue forced on Old Age Pensions. His problem was to convince some of his cabinet colleagues that it was necessary to make so large a concession to secure the support of only two members. Proof was provided on January 14 when the House divided on the first non-confidence motion of the session. The motion was defeated by only three votes (120 to 123), with Woodsworth and Heaps supporting the government. On January 26, Woodsworth and Heaps met the Cabinet informally, the result being recorded in King's diary.
>
> "This morning at my office, we accomplished a really important stroke of work. I had the members of the cabinet meet Woodsworth & Heaps & discuss old age pension legstn. tho some members of the Cabinet, Lapointe in conversat'n and Robb, by memo from Finalyson opposed attempting anything, when they were confronted in discussion all agreed on a bill which would apply to the Dominion as a whole, letting each province come under, on a 50-50 basis, for a non-contributory scheme applicable to persons over 70 years of age...It was agreed to have a bill immediately drafted." [1]

The Old Age Pensions Act of 1927 provided that the Federal Government could enter into an agreement with any province to pay one-half of the net sum paid out by the province in Old Age Pensions.

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[1] Kenneth Bryden, Old Age Pensions and Policy - Making in Canada, (McGill-Queen's University Press, Montreal and London, 1974)

The qualifications necessary to receive a pension were set forth in Sections 8 and 9 of the Acts as below:

> Section 8:
>
> Provision shall be made for the payment of a pension to every person who, at the date of the proposed commencement of the pension:
>
> a) is a British Subject, or being a widow, who is not a British Subject, was such before her marriage;
>
> b) has attained the age of seventy years;
>
> c) has resided in Canada for the twenty years immediately preceding the date aforesaid;
>
> d) has resided in the Province in which the application for pension is made, for the five years immediately preceding the said date;
>
> e) is not an Indian as defined by the Indian Act;
>
> f) is not in receipt of an income of as much as three hundred and sixty-five dollars ($365.00) a year;
>
> and,
>
> g) has not made any voluntary assignment or transfer of property for the purpose of qualifying for a pension.
>
> Section 9:
>
> Stated that the maximum pension payable by the Government is $240.00 a year, and was subject to reduction by the amount of the income of the pensioner in excess of $125.00 a year. This meant that a pensioner could not be in receipt of an income, including the pension, of more than $365.00 a year.

The Act also provided that a pensioner who was the owner of a dwelling in which he/she resided could transfer that interest to the pension authority, in which case the pension was not subjected to any reduction in respect to the annual value of such interest. This provision was set out in Section 9, Sub-Section 2, as follows:

> When a pensioner is the owner of an interest in a dwelling house in which he resides, and the pension authority accepts a transfer to of such interest, the pension payable to the pensioner shall not be subject to any reduction in respect of the annual value of such interest, but the pension authority shall, on the death of the pensioner or upon his ceasing to use such dwelling house as his place of residence, be entitled to sell the pensioner's interest therein and to retain out of the proceeds of such sale the amount of all payments he would have received if such interest had not been transferred to the pension authority, together with interest on the said payments at the rate of five per cent per annum, compounded annually.

But Section 9, Sub-Section 3, further provided that:

> A pension authority shall be entitled to recover out of the estate of any deceased pensioner, as a debt due by the pensioner to such authority, the sum of the pension payments, made to such pensioner, from time to time, together with interest at the rate of five percent per annum, compounded annually, but no claim shall be made by a pension authority for the recovery of such debt, directly or indirectly out of any part of the pensioner's estate, which passes by will or on an intestacy to any other pensioner or to any person who has since the grant of such pension or for the last three years during which such pension has continued to be paid regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which having regard to the means of the person so

> **having contributed is considered by the pension authority to be reasonable.**

In August 28, 1928, the Government of Nova Scotia appointed Harry E. Mahon of Halifax to be a Commissioner to report on the number of persons who would be eligible for Old Age Pensions, the cost of same and the measures required to raise the necessary revenue.

Although the report of the Mahon Commission is entitled "Report of the Commission Appointed to Consider Old Age Pensions", the actual instrument of the Commission defines the scope of the inquiry to have been:

> **1. To determine the number of persons who:**
>
> **a) are British Subjects or being widows not being British Subjects were such before their marriage, and;**
>
> **b) have attained the age of 70 years, and;**
>
> **c) have resided in Canada for the last twenty years and in the Province of Nova Scotia for the last five years, and;**
>
> **d) are not in receipt of an income of as much as $365.00 a year.**
>
> **2. To determine the proportionate cost of providing such persons with a pension as provided by Chapter 156 of the Revised Statutes of Canada, 1927.**
>
> **3. To determine the cost of administration in connection with the payment of any such pensions.**
>
> **4. To determine what persons, if any, otherwise entitled to pension under the said Act are in receipt of a pension from any other source.**

5. **To inquire into and report upon what alternative measures of taxation could be imposed or other means taken to provide the increase in revenue that would be necessitated by the adoption of such scheme.**

The Mahon Commission filed an interim report in February 1929 and its final report on August 31, 1929. Faithful to its mandate, the Commission delineated the costs of the adoption of an Old Age Pension scheme in conjunction with the National Government and the possible additional revenue sources required to finance the scheme.

The Commission reported that it estimated the number of persons 70 years of age and over to be 25,500; and the estimated cost of providing the provincial share of the pensions to be $2,200,000 annually. Costs of administration were calculated to be from $18,000 to $20,000 per year.

The possible new sources of revenue were listed as:

1. **A levy on the municipalities (and hence increase on the real property tax).**
2. **A provincial poll tax.**
3. **A provincial income tax.**
4. **Revenues from the government sales of liquor.**
5. **An application fee paid by those seeking the Old Age Pension.**
6. **An expanded federal cost sharing.**

Up to that time, all provinces from Ontario to the West Coast had accepted the federal offer of cost sharing of Old Age Pensions and all provinces from Quebec to the East

Coast had failed to enter into fiscal arrangements for the Old Age Pension.

A glance at the figures of those over 65 years of age in 1921 show that the number of such persons constitute 4.79 percent of the population of Canada, but were 6.18 percent of the population in New Brunswick; 7.23 percent in Nova Scotia; and 9.6 percent in Prince Edward Island. Quebec had 4.59 percent of its population over 65 years; Ontario had 5.57 percent but the western provinces show well below the Canadian average with Manitoba at 3.11 percent; Saskatchewan at 2.26 percent; Alberta at 2.34 percent; and British Columbia at 3.51 percent.

The conclusion of the Mahon report reads:

> "The present tendency in public opinion and conscience as well as in legislation activity is towards the assumption by the state of a larger share of responsibility in the care of its aged, poor and needy citizens than in the past. Unfortunately, in Nova Scotia, the proportion of the population 70 years of age and over is very large and the number in the productive age groups relatively small. For this reason, all the measures of taxation that have been proposed to meet the cost of Old Age Pension on a non-contributory basis will constitute a very serious burden (on the Provincial Treasury)."

Following the tabling of the Mahon Commission Report of 1928-1930, Old Age Pensions became a contentious issue in the Nova Scotia Legislative Assembly. Premier Rhodes publicly recognized the need for Mothers' Allowance, minimum wages for women, and Old Age Pensions. In 1930, the first two of these were enacted, but the government was hesitant about adopting the Old Age Pension scheme because of the high costs as projected by the Mahon Commission.

Under its provisions, Nova Scotia would have been required to pay 50 percent of the pertinent pension to eligible applicants, as well as contributing a portion of the pension costs applicable to former Nova Scotians currently resident in another province. This latter cost would have been computed on the basis of years the ex-resident had lived in Nova Scotia over the preceding two decades. (Like today, the flow of population from east to west was greater than that flowing west to east). An added negative point - the participating provinces would have been required to pay the full amount of the pensions and recover the pertinent cost-shared amount from the federal government at the end of each quarter, thus adding interest charges to the perceived high costs.

Early in 1931, Premier Rhodes was elected to the Parliament of Canada and was succeeded by Lt. Col. Gordon Harrington. Harrington introduced an enabling act and waited to see what the federal government would produce in the Spring Session with regards to Old Age Pensions. According to Kenneth Bryden,

> **"the increase in the federal share to 75 percent in 1931 did not move him (Harrington)".** [1]

Apparently, the provincial government held the opinion that it could not afford to pay 25 percent of the cost of the pensions, either.

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[1] Bryden, Kenneth - Old Age Pensions and Policy Making in Canada. Pg. 86.

> **"Our Provincial Government might hesitate to take advantage of the offer of the Federal Government to pay 75 percent of this (OAP) pension."**

Meanwhile, the subject of Old Age Pensions was being kept at the top of everyone's mind by Angus L. MacDonald. He continually questioned the Government from the Gallery and vowed that if he were Premier, the first thing he would do is proclaim the Old Age Pensions Act. In August of 1933, MacDonald was elected Premier. According to Olga Bishop,[1]

> **"The Old Age Pensions Act was proclaimed on September 3, 1933, bringing into existence an Old Age Pensions Board which included pensions to the blind under the Department of Public Health...."**

The first annual report of the Old Age Pensions Board was prepared as of September 30, 1934. The agreement regarding payment of Old Age Pensions had been made between the Dominion and Nova Scotia on November 28, 1933 and payments had started on March 1, 1934. The statistics in the report covered the seven month period from March 1 to September 30, 1934. The following statistics were presented:[2]

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[1] Olga Bishop. Publications of the Governments of Nova Scotia, Prince Edward Island, and New Brunswick, 1758-1952. Ottawa: National Library, 1952. Pg. 80.

[2] First Annual Report of the Old Age Pensions Board Journals of the House of Assembly of Nova Scotia, 1935, Part 2. Nova Scotia Legislative Library, Halifax, N.S.

1.	(a)	Total number of formal applications dealt with by the Board to September 30, 1934	13,152
	(b)	Number ineligible cases	- 1,467
	(c)	Number of pensions authorized	11,685
	(d)	Number transferred from other Provinces	+ 7
	(e)	Number of pensions granted	11,692
	(f)	Number transferred to other Provinces	- 2
	(g)	Number cancelled by death or otherwise	- 501
2.		Total number of pensioners on Nova Scotia roll as at September 30, 1934	11,189
3.	(a)	Total amount paid to pensioners in Nova Scotia	$1,020,751.67
		Amount refunded by pensioners	74.06
		Amount recovered from estates of deceased pensioners	230.15
	(b)	Total refunded	304.21
	(c)	Net amount paid	$1,020,447.46*
4.	(a)	Number of pensioners residing in other Provinces for whom Nova Scotia is responsibile for part pension	206
	(b)	Total amount paid to such pensioners	$10,331.16*
5.	(a)	Total number of pensioners residing in Nova Scotia for whom other Provinces pay part pensions	41
	(b)	Total amount paid for above	$1,533.04
Total amount paid			$1,029,245.50*

*Nova Scotia was responsible for 25 percent of these amounts.

There was no mention of the administration costs incurred during this period. The second annual report covered a period of fourteen months from October 1, 1934 to November 30, 1935. Here, administrative expenses were detailed:

Bank Interest	$24,402.98
Salaries & Special Services	35,599.72
Travelling Expenses	12,937.97
Postage, Telephone & Telegraph	6,842.73
Printing & Stationary	3,789.70
Car Expenses	757.06
Maintenance of Equipment	463.55
Miscellaneous	505.37
TOTAL	$85,299.08

During this period, the total net number of pensioners had increased by 1,697 to 12,886. The total included 348 cases deemed ineligible in the 1934 period, but which qualified for pensions in 1935. The 1934 report disclosed that 501 pensions had been cancelled due to death or other reasons. This figure showed a dramatic increase to 1,493, almost tripling the preceding year's cancellations in 1935.

The total amount paid to Nova Scotia pensioners was $2,517,984.70, of which $629,518.74 was paid by the province and this amount included partial payments to 257 former residents of Nova Scotia, reduced by the amount paid by other provinces to 86 of their former residents. Both payments to and from other provinces averaged between $5.91

and $5.97 per month. These amounts represented around 40 percent of the total average monthly payments indicating that migrant people had lived in their former provinces an average of eight of the last twenty years.

The 1927 plan was not adopted in all the provinces east of Ontario until Quebec finally implemented it in August of 1936. Nova Scotia and Prince Edward Island had done so in 1933 and New Brunswick followed suit in June of 1936.

From its inception, the 1927 plan was seen as unsatisfactory by many of the trade unions, private Members of Parliament, and others who had been pressing for public pensions.

> "Reduction of the age of eligibility was a leading objective of reformers in the 1930's. Such reduction was seen both as providing some security for the many workers who were being forced into retirement before seventy and as an inducement to older workers to retire voluntarily and make jobs available for younger people. Other features of the plan which came in for attack were: Attachment of pensioners' property, recoveries from estates, pursuit of children to support their parents when they could hardly support themselves, residence requirements, discrimination against aliens of long residence, the narrow limits on outside income, and the amount of the pension.
>
> The means test also came under growing attack, in terms of specific grievances and in principle. This test had, in fact, two consequences which were hard to justify. First, close and recurring scrutiny of a pensioner's personal affairs was humiliating, and to humiliation was added fear that such limited property as he might have would be attached...

> **Second, individual provision for old age, unless it was substantial, was largely self-defeating because its main effect was to reduce or eliminate the public pension. Belief in the efficacy of the spirit of thrift and self-reliance was central to the market ethos and had been reinforced by pioneer experience. The means test was seen as discouraging that spirit."** [1]

These attacks tended to be the work of "enthusiasts" and "partisans" and did not receive much attention until the economic expansion of the 1940's gradually brought pensions back up the scale of political priorities.

The two alternatives to the means test, a contributory versus a universal plan, each had supporters in the 1930's. Successive federal governments advocated the contributory principle, which had been rejected in 1927 for both administrative and constitutional reasons, as the best means of providing retirement income for elderly Canadians. The Canadian Manufacturer's Association also supported the contributory principle as did permanent government officials, the Quebec Social Insurance Commission (1932) and the Rowell-Sirois Commission (1938)[2]. Advocates of the universal principle included the Trades and Labour Congress and the Co-operative Commonwealth Federation (CCF).

The economic problems of the 1930's kept the pension issue on the back burner until after World War II.

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[1] Op. Cit. Bryden, Pg. 103

[2] Ibid. Bryden, Pg. 106-108

> **"The Keynesian revolution in economics promised the means whereby popular aspirations for a better world could be realized...Governments were now seen to have a major potentiality and responsibility for promoting economic growth and full employment and for providing wide-ranging social security."[1]**

Sustained public opinion and pressure for the removal of the means test led all parties to support its abolition in their general election campaigns of 1949. After their landslide victory at the polls, St. Laurent and his Liberal government referred the issue to a joint committee of the Senate and House of Commons for they had no concrete proposal to place before Parliament.

The committee rejected the contributory principle because of the administrative and constitutional difficulties associated with it and because it would take too many years for it to begin providing adequate benefits.

The solution presented in the report of the committee received only minor amendments before adoption. A constitutional amendment was required to enable the Federal Government to impose ear-marked taxes to finance the program. This amendment was approved by the provinces and universal pensions became a reality on January 1, 1952.

The Act provided for the payment of universal pensions of $40.00 per month at age 70 without the application of a means test. By this Act, the Federal Government assumed complete responsibility for the pension costs of those 70 years of age and over. At the same time, the Old Age Assistance Program was established. It was to provide pensions of $40.00 per month to those 65 to 69 based on need. This program was administered by the provinces and cost-shared with them. (It was ultimately phased out as of December 31, 1969.)

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[1] Ibid. Bryden, Pg. 104

In 1945 the Income Tax Act was amended to provide for "registration of pension plans and to make provision for the relief of contributions made for 'past service' benefits (both employee and employer)." These amendments to the Income Tax Act coupled with the wartime freezing of wages and salaries are believed to be responsible for the growth of private pension plans. Such plans more than quadrupled from 2,000 in 1945 to 9,500 in 1960.

Once universal pensions were in place, the idea of replacing them with a contributory pension plan did not have very much public support. However, such a plan was increasingly viewed as an appropriate means of supplementing the existing pension system.

> "There were three main reasons for this. First, there was the old consideration of controlling costs, which was prominent in the thinking not only of business organizations, but of the government too and especially the Department of Finance. In addition, welfare specialists and others expressed some concern that undue emphasis on old age pensions would lead to an imbalance in the allocation of funds for total welfare needs...
>
> Second, those whose incomes during their working years were above subsistence but not high enough to permit them to acquire supplementary pensions (and

> their number was legion) usually suffered a sharp reduction in living standards on retirement. Private pension plans alleviated the problem to only a limited degree...
>
> At the same time, their very growth was a third factor contributing to increased interest in government action in the field...
>
> There was a growing demand for "portable pensions", that is, plans in which workers would accumulate and retain benefit rights even though they changed employment. Some saw a public contributory plan as a way of ensuring a degree of portability."[1]

By the time of the 1962 and 1963 elections, all three of the major political parties were committed to the introduction of a contributory earnings-related pension plan. In 1963, the minority Liberal government introduced a resolution and subsequent explanatory statement outlining the basic features of their proposed plan. However, a bill (C-75) was not tabled in the House until the spring of 1964. This bill proved to be unsatisfactory and was withdrawn and reformulated as Bill C-136 by the spring of 1965.

Not everyone was as committed to the contributory plan as the Liberals, Conservatives and the NDP. The insurance industry in Canada mounted an intensive campaign to prevent implementation of the plan.

> "The government's successive formulations were attacked as economically and actuarially unsound, inequitable, and ill-designed to meet

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[1] Ibid. Bryden, Pgs. 129-130

> the most pressing welfare needs of the country. The industry's basic position was that the government was already playing its proper role in old age security by providing an income maintenance floor through the universal pension, and that if further intervention was considered necessary, it should take the form of Ontario's Pension Benefits Act of 1963, designed to regulate private pension plans and to compel establishment of such plans by employers with fifteen or more employees...
>
> But the insurance industry was unable to drum up support for its campaign beyond the Chamber of Commerce. Other national organizations - business, labour, and welfare - supported or at least accepted the plan in principle, although they had many and varied objections to specific features of it." [1]

The fact that the Federal Government had to reconsider its position as presented in Bill C-75 is to a very great extent due to the influence of the Province of Quebec. The Quebec Premier, Jean Lesage, announced in July of 1963 that Quebec would not stand in the way of the other provinces who wished to adopt the plan, but that Quebec would have their own plan and it would be funded.[2] The ensuing negotiations resulted in compromises on both sides. Quebec would have its own plan, but the terms of the two plans would be virtually identical and they would be co-ordinated with each other.

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[1] Ibid. Bryden, Pgs. 161-162

[2] Ibid. Bryden, Pg. 166

EVOLUTION OF THE 1965 PROGRAM

	Initial Formulation June - July 1963	Bill C-75 Spring 1964
	Earnings-Related Pensions	
Coverage	Compulsory for employees; voluntary for self-employed	Compulsory for employees; voluntary for self-employed
Transition	10 Years	10 Years
Funding	Negligible; pay-as-you-go financing intended	Estimated fund of $2 billion at end of transition, half to be available for investment in provincial securities
Earnings Ceiling	$4,000 a year, subject to "annual adjustment"	$4,500 a year in first 5 years; adjustable thereafter (see adjustments category)
Basic Exemption	Nil	Nil
Employee Contribution Rate	"Initial rate" of 1 percent of earnings up to ceiling	1 percent of earnings up to ceiling for first 15 years; upward revision thereafter
Qualifying Age For Old Age Benefit	Unconditional at 70; permanently reduced pension 65-69	Unconditional at 70; retirement test 65-69
Rate of Benefit	30 percent of average adjusted earnings at 70; proportionate reductions for lower ages until 20 percent at 65	20 percent of average adjusted earnings

	Initial Formulation June - July 1963	Bill C-75 Spring 1964
	Earnings-Related Pensions	
Other Benefits	Pension for surviving spouse at 65	Pension for surviving spouse at 65
Adjustments	Earnings ceiling adj. "in line with changes in the general level of salaries and wages"	Earnings ceiling adj. to earnings index after first 5 years
	Average earnings on which pension awarded adj. on same basis as earnings ceiling	Average earnings on which pension awarded adj. to earnings index
	No adj. of amount of pension after award	No adj. of amount of pension after award
Exclusion of low earning periods	Unspecified number of "years of lowest earnings" each year's earnings after 65 substitutable for earlier year	10 percent of total number of months; pensionable earnings after 65 substitutable for equal period of earlier earnings
	Universal Pensions	
Qualifying Age	Unconditional at 70; permanently reduced pension 65-69	Unconditional at 70; permanently reduced pension 65-69
Amount	Ranging from $75 a month to 70 to $51 a month at 65	Ranging from $75 a month to 70 to $51 a month at 65
Adjustment	None	None

	Quebec Committee Report	Final Formulation Spring 1965
	Earnings-Related Pensions	
Coverage	Compulosry for employees and self-employed earning more than $1,000 a year	Compulsory for employees earning more than $600 a and for self-employed earning at least $800.
Transition	20 years	10 years
Funding	Estimated fund of $2.4 billion at end of 10 years, $5.6 billion at end of transition; all available for Quebec investment	Estimated fund of $4.5 billion at end of transition (Quebec excluded); all to be available for investment in provincial securities
Earnings Ceiling	$6,000 a year in first 2 years; adjustable thereafter (see adjustments category)	$5,000 a year in 1966 and 1967 adjustable thereafter (see adjustments category)
Basic exemption	$1,000 a year	$600 a year
Employee Contribution Rate	2 percent of earnings between basic exemption and ceiling	1.8 percent of earnings between basic exemption and ceiling
Qualifying Age For Old Age Benefit	Unconditional at 70; retirement test 65-69	Unconditional at 70; retirement test 65-69
Rate of Benefit	25 percent of average adjusted earnings	25 percent of average adjusted earnings
Other Benefits	Broad range of survivor, death and disability benefits	Broad range of survivor, death, and disability benefits

	Quebec Committee Report	Final Formulation Spring 1965
	Earnings-Related Pensions	
Adjustments	Earnings ceiling adj. to consumer price index after first 2 years	Earnings ceiling adj. to pension index 1968-75, to earnings index thereafter
	Average earnings on which pension awarded adj. to consumer price index	Average earnings on which pension awarded adj. to pension index until 1975, to earnings index thereafter
	Amount of pension after award adj. "periodically" to consumer price index within limits of 1 and 2 percent	Amount of pension after award adj. annually to pension index
Exclusion of Low Earning Periods	Ascending scale ranging from 1 year for 21-25 years of contributions to 5 years for 41 to 47 years; no provision for substituting earnings after 65 since no contributions after that age	15 percent of total number of months; pensionable earnings after 65 substitutable for equal period of earlier earnings

By agreement with all provinces (except Quebec) the Government of Canada introduced the contributory Canada Pension Plan effective January 1, 1966 (Quebec opting to provide its own plan - the Quebec Pension Plan).

The CPP/QPP plans had much in common and were mandatory systems. All employees and self-employed persons aged 18 to 65 were required to contribute to the plan with benefits being payable at age 65 and mandatory at age 70. The plan also provided for early payments in the event of disability, survivors' benefits and a death benefit.

The introduction of the government sponsored mandatory scheme posed some problems for companies with private plans. Most opted to integrate the new CPP/QPP with their existing plan, reducing benefits and payments, but maintaining, in general, the same benefits through the two systems. The number of private plans in Canada continued to grow with 16,100 registered in 1970 (up from 9,500 in 1960).

The federal government introduced the Guaranteed Income Supplement in 1967 as a transitional measure to provide income tested benefits for people with little or no CPP/QPP benefits. The federal government, responding to requests from interested individuals and associations, adopted legislation establishing favourable tax treatment for Registered Retirement Savings Plans and Deferred Profit Sharing Plans. Lack of marketing in the early years on the part of the private sector was the reason given for the failure of these two plans becoming significant factors in private pension planning.

The Province of Ontario passed the first Provincial Act regulating the vesting and funding of private pensions in 1965. Nova Scotia adopted similar legislation in 1977.

The Old Age Security Act was amended in 1965 to make benefits payable at age 65 by the year 1970, the qualifying age being reduced by one year each successive year for five years.

In the 70's, Registered Pension Plans and Deferred Profit Sharing Plans grew as smaller companies sought less regulated savings vehicles. Plans increased from 1,600 in 1970 to more than 19,000 in 1978.

The federal government, having recognized the impact that inflation was making on pension payments responded with the introduction of a modified form of indexing on pensions in 1966 with a maximum increase of two percent per year and, in 1972, the National Government removed the two percent ceiling. Public pensions and civil service pensions were adjusted annually to reflect changes in the Consumer Price Index.

In 1973-74, it was decided that the Old Age Security and Guaranteed Income Supplement were to be adjusted quarterly to reflect changes in the Consumer Price Index.

In 1972, British Columbia introduced an income-tested supplement for all qualified pensioners up to a maximum of $2,000 per year. Nova Scotia followed in 1973.

From 1972 to date, there has been a continuing pressure by the labour unions and social agencies to expand the Canada Pension Plan. The pressures of inflation have prompted many jurisdictions to examine pension planning both public and private.

The most comprehensive study has been that undertaken by the Royal Commission on the Status of Pensions in Ontario under the Chairmanship of Donna J. Haley, Q.C. Appointed in April 1977, the Commission filed its report (ten volumes) in October 1980.

That monumental study is a most comprehensive examination of the pension issues. In the main, the report deals with the Ontario experience but much is of national interest. A number of conferences, including the National Pensions Conference staged in Ottawa in April 1981, have addressed themselves to the issue of how best can the provision of an adequate retirement income be assured to all Canadians.

Many advances have been made in this field since the issue was raised in the House of Commons in 1908. Much remains to be done to provide an adequate retirement income system to meet the requirements of varying income groups.

THE EXISTING RETIREMENT INCOME SYSTEM

A review of the history of Old Age Pensions leads naturally into an examination of the existing retirement income system[1]. The following pages describe that in effect in Canada.

- The Public Pensions System
- Employer Sponsored Pension Plans
- Registered Retirement Savings Plans
- Savings and Investments

This section will set out the details of all four elements and, where possible, will provide information on the situation in Nova Scotia.

All the elements of the Canadian Retirement Income System are present in Nova Scotia and where information is available, it is included in this report.

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[1] A number of those involved in fields relating to pensions take exception to the use of the word "system" when reference is made to total elements of private and public pensions plus other reservations of income for time in retirement. They argue that since these elements are not interacting, they cannot be described as forming a "system". For the purpose of this Report, the word "system" shall be used to describe the sum total of all of the component parts even though all elements are not necessarily part of each individual's retirement income.

In recent years, a number of conferences and seminars devoted to the general theme of retirement income have been conducted by the private sector. In these gatherings, speakers have stressed the need for early planning for the accumulation of retirement income and nearly all have spoken of or alluded to the quadripartate structure of retirement income. They have linked this to a four-legged stool or a structure supported by four columns.

The first column in this structure is the basic social security program of the federal government through the provision of the Old Age Security, the Guaranteed Income Supplement, and the Spousal Allowances. By these payments, the state recognizes an obligation to provide a basic floor level of income to those who, through advancing years, must withdraw from the active labour force.

The second column or support is that provided through contributory and/or occupational pension plans. These would include the Canada/Quebec Pension Plans and disability pensions arising out of war service or industrial accidents. In 1978, the number of Canadians enjoying varying degrees of pension coverage in occupational plans was 4,193,244. The public sector accounted for 1,854,514 of these with the private sector providing some measure of coverage for 2,338,700 others. Of these, 126,814 Nova Scotians were covered by private pension plans including plans covering federal, provincial and municipal employees.

In 1976, some 725,245 Canadians were receiving a pension paid out through private pension plans with average pensions of $2,885 annually. (These figures are subject to certain limitations particularly because the source of the figures is Revenue Canada, Taxation Statistics Records, and many pensioners have income so low that they do not file any income tax returns).

The third part of the retirement income system is that provided by private funds accumulated in Registered Retirement Savings Plans.

These plans were introduced in 1957 through an amendment to the Income Tax Act and provided means for the self-employed to build their pension plans and have such contributions treated for tax purposes in the same manner as the contributions of private pension plan members. Since participation in private pension plans is restricted to paid workers having an employee-employer relationship, the creation of the opportunity to contribute money to an individual retirement fund appears to be a matter of natural justice. In subsequent years, however, the plan was broadened by making provisions to permit any individual to open an RRSP.

The fourth column of the retirement income structure is through private savings and investments, including the possession of a mortgage free dwelling. For many, home ownership is their most significant capital asset and a very important part of retirement income planning.

THE EXISTING RETIREMENT INCOME SYSTEM

PART I

THE PUBLIC PENSION SYSTEM

THE PUBLIC PENSION SYSTEM

The Canadian Social Security package in the field of retirement income consists of the Old Age Security Act, Canada/Quebec Pension Plans, Guaranteed Income Supplement and various provincial supplements.

Of Canada's three principle nationwide public pension programs, the oldest and largest is the Old Age Security program. The monthly benefit was $246.92 in December 1982, approximately 14 percent of the Average Industrial Wage. This pension is fully indexed to the CPI and adjusted quarterly. Funding of this program is on a pay-as-you go basis out of general revenue.

The Canada and Quebec Pension Plans together constitute the second of Canada's nationwide pension programs. The first benefits under these plans were paid in 1967. The CPP and the QPP are contributory and earnings-related. Both are funded by equal contributions of 1.8 percent of pensionable earnings from the employer and 1.8 percent from the employee. Self-employed persons contribute the full 3.6 percent. In 1982, the range of contributory earnings was from $1,601 to $16,500. (In 1983, this range will be from $1,801 to $18,500). Since virtually everyone in the labour force 18 years and over pay these contributions and, since in the early years of the plans few, if any, of the elderly were eligible for pensions from the C/QPP, funds totalling approximately $14.5 billion and $5.2 billion had accumulated in the CPP and QPP respectively, by the end of 1978. If the C/QPP contribution rate is left unchanged, it is currently estimated that both funds will ultimately be depleted just after the turn of the century. If the present contribution rates were maintained until then, and the plans were subsequently put on a pay-as-you-go basis, under which annual contributions would be approximately equal in amount to annual benefit payments, it is estimated that the contribution rates would then have to be about 6 percent* compared to the present 3.6 percent*. In later years, the pay-as-you-go contribution rate would be in the 9-11 percent* range depending on demographic developments.

The principle benefit of the C/QPP is the retirement pension. A person retiring in 1982 who had employment earnings since 1966 at or above the earnings ceiling ($5,000 in 1966 and $16,500 in 1982) would be eligible for a monthly pension of $307.65 in that year (equal to 25 percent of the average of the earnings ceilings in 1980, 1981, and 1982). In fact, the average C/QPP retirement pension in January 1982 was only a little over one-half of this amount (54.4 percent). (In Nova Scotia, the average CPP pension was even less at 52.3 percent of the maximum.) This is partly because many pensioners had earnings below the plans earnings ceiling, but also because of the way the plans were phased in; 1976 was the first year

*Total contributions of both employers and employees.

unreduced C/QPP retirement pensions were paid. Retirement pensions coming into effect before 1976 were prorated (90 percent of the full amount in 1975, 80 percent in 1974, etc.).

The third nationwide pension program is the Guaranteed Income Supplement. The program concentrates its benefits among those of the elderly with little or no income other than the Old Age Security. In December 1982, the maximum single rate GIS was $247.89. This, together with the OAS, provided total income of $494.81 for those with no other income. For a married couple, with both spouses 65 or over and with no other income, GIS benefits in December 1982 were $191.12; with OAS the couple's total income would be $876.08. GIS benefits are reduced by $1.00 for each $2.00 of other income (C/QPP pensions, employer sponsored pensions, investment income, employment earnings, and so on) reported by applicants.

As time passes and more and more of the workers receive pensions from the C/QPP, there should be a corresponding drop in the proportion of those who receive maximum GIS benefits. It might be noted though that the maturing of the C/QPP will not eliminate the GIS program. A couple both 65 or over in receipt of one maximum C/QPP pension effective December 1982 and with no income from private sources, would have been receiving public pensions at an annual rate of $11,951.56, of which $2,575.56 would be from GIS.

A companion program to the GIS, the Spouse's Allowance (SPA), is aimed at assisting low income couples where one of the partners is 65 or over, but the other is between 60 and 64 and, therefore, not eligible for OAS or GIS benefits.

The SPA guarantees such couples an income equal to the income they would have received from the OAS/GIS had each partner been 65 or over. Like the GIS, the SPA benefits are income-tested.

Following a number of amendments in the 1970's, benefits from each of the three main pension programs described herein were fully indexed to the Consumer Price Index (CPI). Benefits from the SPA have been indexed since the program began in 1975. Some provincial governments have provided income-tested benefits as a supplement to the federal GIS program. These provincial "top-off" programs are largest in Alberta, Ontario, and British Columbia, providing maximum annual benefits of about $1,200 for a qualified couple. The Nova Scotia payments in 1981 were $99.00, $132.00, $176.00, or $198.00 per year depending on other income.

Three features of Canada's public pension system stand out from this brief description. First, much of the system is of quite recent origin; 15 years ago, the C/QPP, the GIS, and the supplementary programs did not exist (although other means-tested programs did). Second, most of the recent changes in the system - the GIS benefit increases and the inception of the provincial top-ups - have been directed towards those of the elderly having little or no private income. Third, for those whose earnings are at the average and above, retirement income from public sources in Canada is relatively low when compared to those in other western industrialized countries.

There are two other public sources of income in retirement. They are the Disability Pensions of the Department of Veterans Affairs and payments through the Provincial Workers Compensation Boards.

In 1982, there were 2,942 disabled veterans over the age of 65 years living in Nova Scotia, of whom 2,008 were married. In October of 1982, 1,522 widows of disabled war veterans were in receipt of service-related pensions. The maximum pension for 100 percent disability is $10,925 a year, the average disability pension is $3,780 and the average widows benefit is $5,784.

War veterans' allowances are paid to veterans who, because of age or illness, are not able to remain in the work force. These allowances terminate when the veteran attains age 65 and becomes eligible for the Old Age Security and Guaranteed Income Supplement.

All of the payments made through the Department of Veterans Affairs have been indexed to the cost of living in line with the general policy instituted by the Federal Government.

The Workers Compensation Pensions grew out of the recommendations of the Crowe Commission of 1907 and are paid to workers who suffer job-related disabilities resulting in loss (partial or total) of ability to continue to earn a living.

Pensions are paid on a graduated scale depending on the degree of disability with the 1982 maximum pension being $14,250. This is based on 75 percent of the worker's earnings at time of disability and is paid until the death of the recipient. The worker can receive any other pension to which he may be entitled at age 65 without any reduction in the Workers' Compensation payments. These would include Old Age Security, as described above, payments through the Canada Pension Plan and deferred benefit earned through contributions to a private pension plan although in the latter case, a number of such plans provide for the payment of partial pensions at the time of disability.

As of April 1, 1982, 3,020 Nova Scotians (most of them with residence in this province) 61 years of age and over were drawing WCB pensions to a total amount of $5,427,600. The average male was receiving WCB benefits of $1,805.16 and the female recipients were each drawing an average of $1,417.80.

TABLE 1

WORKMEN'S COMPENSATION STATISTICS FOR THOSE AGE 61 AND OVER IN RECEIPT OF LIFE PENSION

Age	Number of Recipients		Annual Dollar Awards				
			Total (000)			Average Annual	
	Male	Female	Male	Female	Both	Male	Female
61-65	831	29	1,455.1	45.4	1,500.5	1,751.04	1,566.72
66-70	834	16	1,534.9	23.2	1,558.0	1,840.32	1,448.52
71-75	712	10	1,332.7	11.2	1,343.9	1,871.76	1,118.04
76-80	352	5	651.1	5.1	656.2	1,849.56	1,025.04
81-85	146	1	232.5	1.4	233.9	1,592.64	1,383.00
86-90	58	1	84.8	1.6	86.4	1,461.60	1,603.20
91-95	21	0	39.9	----	39.9	1,899.48	--------
96-100	4	0	8.8	----	8.8	2,199.96	--------
Over 100	0	0	-------	----	-------	--------	--------
TOTALS	2,958	62	5,339.7	87.9	5,427.6	1,805.16	1,417.80
Percentage of all Recipients	46.5	30.1	47.9	27.4	47.3		
Average for all Recipients						1,751.88	1,555.20

The Guaranteed Income Supplement, Spouse's Allowance, Veterans' Disability Pensions and Workers' Compensation Allowances are deemed to be non-taxable income, are indexed fully or partially to the Consumers Price Index and, therefore, provide a more stable source of funds than do other incomes for the elderly.

The Government of Nova Scotia supports a number of ancillary services for senior citizens some of which can be described as top-off programs. They are:

1. MSI Pharmacare
2. Property Tax Rebate Program
3. Rental Assistance Program
4. Senior Citizen Subsidized Housing
5. Special Social Assistance
6. Family Benefits
7. Homemaker Services
8. Homes for Special Care
9. Community Health Nursing
10. Loan/Grant Programs

1. **Medicade Program**

The Medicade Program is one where all persons in receipt of the Old Age Security payments are entitled to receive prescription drugs in their own name without cost. In 1981, approximately 91,000 persons held qualifying cards, and $19,726,742 was paid out in claims.

2. **Property Tax Rebate**

In September 1980, the Government of Nova Scotia initiated the Property Tax Rebate Program for Senior Citizens. Under this program, an annual rebate of 50 percent of net residential taxes will be paid to all senior citizen homeowners who are in receipt of GIS or Spouse's Allowance. In 1980, 21,000 homeowners received a rebate on their 1979 property taxes for a total tax relief of $2.2 million.

3. **Rental Assistance Program**

Effective April 1, 1981, a Rental Assistance Program for Senior Citizens came into operation. Under the program, a monthly rental subsidy is paid to senior citizens who are in receipt of the GIS or Spouse's Allowance, and whose rent expenses exceed 30 percent of their income. Single seniors who are not eligible for GIS or Spouse's Allowance but whose income does not exceed $9,800 annually will be eligible (senior citizens in subsidized public housing are not eligible as they are already benefiting from assistance in the form of reduced rents). Payments are based on the amount of rent that exceeds 30 percent of income. Between 50 percent and 75 percent of the amount is paid. The effective percentage depends on income level. There is a minimum monthly payment of $15 to any qualified applicant. The maximum rent on which the rental assistance is paid is $245 for singles and $320 for couples. Those with higher rents will receive payments based on these maximums.

The estimated cost of this program in its first year of operation is $1.9 million and it is expected that 4,000 senior citizens will be eligible.

4. Subsidized Public Housing

The Province of Nova Scotia has been pursuing an active policy of construction of subsidized public housing units for senior citizens. To the end of 1981, a total of 5,896 units had been constructed. The subsidy was cost-shared with the federal government and Municipal units, with the federal government paying 75 percent of the subsidy. In 1981, the program resulted in a total subsidy of $14.2 million with an average benefit of $240 per month for each senior citizen housing unit. The cost to the Province of Nova Scotia was $3.5 million.

5. Special Social Assistance for Senior Citizens

The Special Social Assistance program was introduced originally to assist senior citizens meet the increased cost of energy but, over the years, it was indexed to help with increases in the cost of living generally. The program provides for a lump sum payment annually to senior citizens who are receiving the GIS.

In 1980, 53,400 payments were made at a cost to the province of $8.18 million with the federal government contributing $120,564. The payments are made in four levels depending upon the amount of GIS received.

In 1981, the payments were $99.00, $132.00, $176.00 and $198.00.

6. Family Benefits for Senior Citizens

There were about 300 recipients of the Family Benefits payments in Nova Scotia in 1981. These recipients were either disabled fathers or widows with dependent children. Associated with the Canada Assistance Plan they are not deemed to be part of the general top-off program. Family benefits are also paid to those 65 or over who do not receive the full OAS benefit.

7. Homemaker Services

Instituted as an alternative to institutional care, the Homemaker Services was established in 1978. The plan is administered through local non-profit organizations, municipal corporations, and family and child services agencies. In 1981, thirty different services were in place in as many locations throughout Nova Scotia. One thousand, five hundred and thirty (1,530) of the beneficiaries of the services in 1981 were senior citizens.

8. Homes for Special Care

While not part of the pension system, the Homes for Special Care subsidized through co-operation of the federal, provincial, and municipal governments, provide housing and care for a large number of senior citizens. Nova Scotia has 9.8 percent of its population in the 65 plus category compared to a national average of 8.7 percent. The average age of those in the Homes for Special Care is now in excess of 80 years!

This has resulted in a higher ratio of nurses and other staff to patients. Increased staffing and inflation has pushed total operating costs for such care in Nova Scotia to about $30,000,000 annually.

Of the 5,953 beds in use in 1981, some 3,870 were occupied by those 65 years of age and over. Of this number, 3,241 were subsidized by the federal, provincial and municipal governments. The total estimated cost to the Province of Nova Scotia for such care for 1981-82 was $1.91 million.

9. Community Health Nursing

Community Health Nurses provide health promotion, health education, and nursing care to the elderly in their homes. The services provided are free of charge to the elderly.

10. Loan/Grant Programs

Three programs whose main purpose is to help seniors and other lower income people to meet home maintenance expenses so that they may remain in their homes are:

1) Senior Citizens Assistance Program -

This program provides assistance to senior citizens to repair their homes in the form of forgiveable loans of up to $3,000 over a five year term secured by an agreement. There are no cash repayments as loans will be forgiven at the rate of $50 per month for continued ownership and occupancy of the repaired home.

2) Provincial Housing Emergency Repair Program - Here, assistance is provided to those persons on low income who cannot afford to carry out emergency repairs required to insure the preservation of their home as a habitable unit. Grants of up to $2,000 are available for labour and materials to those couples whose combined incomes are $6,000 or less (1981).

3) Small Loans Assistance Program - Provides low interest loans for repairs, alterations or additions to single family homes and for the completion or partial completion of a single family home. Assistance will also be provided to home owners/occupants of larger single family homes to convert a portion of the home into self-contained apartment units. There is an "adjusted family income" limitation of $17,000 per annum in order to qualify. In addition, the applicant must have a good credit rating and the total annual costs of housing indebtedness must not exceed 27 percent of gross family income (gross family income may be larger than "adjusted family income" if there are dependent children or it is a

one parent family). Loans from $1,000 to $10,000 are available at interest rates of 6 percent and up.

Municipal Assistance for the Elderly

Prior to the establishment of the Property Tax Rebate Program for senior citizens in 1980, the various municipalities of the province provided some measure of assistance on real property taxes levied against property owned and occupied by elderly citizens. All of these were based on means tests. Some of these tax abatement programs have been in place for over thirty years.

Despite the introduction of the Property Tax Rebate Program, most municipalities have retained their local program of assistance. In 1981, approximately one million dollars was granted as property tax relief by the municipalities to elderly property owners who occupied their own homes and who could meet the means test imposed.

Other Income Subsidy Programs for the Aged:

1. Unemployment Insurance

The payment of premiums ceases upon attaining the age of 65 but a single payment equal to three weeks benefits is available upon application to the Canada Manpower Office. It is not necessary to be out of the work force to draw this one-time benefit, but all other benefits cease at age 65.

2. Income Tax Concessions

Upon attaining the age of 65, an additional income tax exemption is available. This was $2,220 in 1982.

A pension income reduction of $1,000 (except Old Age Security and Canada Pension Plan pensions) is available. This may be applied against pension income (from an occupational plan) regardless of age. RRSP income is not eligible for the exemption unless the recipient is 65 or is receiving payments as a widow's benefit.

Certain amounts contributed to a Registered Retirement Savings Plan can be deducted from taxable income up to the age of 71 years.

3. Other Benefits

A number of non-income benefits and services are available to those over 65 years of age. Listed are some, but not all, of such benefits - airline tickets, trains and buses offer special reduced rates to senior citizens. The Dartmouth Ferry service carries those over 65 at no charge. Some barber shops and beauty salons provide service at reduced costs at certain times. Banks and trust companies generally extend some free services to customers aged 60 and over, which would otherwise be provided for a fee. In some cases, higher interest is offered on accounts. Meals on Wheels and other services are offered to shut-ins, most of whom are elderly.

THE EXISTING RETIREMENT INCOME SYSTEM

PART II

THE EMPLOYER-SPONSORED PENSION SYSTEM

The Employer-Sponsored Pension System

The Canadian employer-sponsored pension system consists of some 15,000 Registered Pension Plans (RPPS) covering nearly 4 million workers. In 1975, employers and employees contributed $3.0 billion and $1.5 billion respectively to these plans. These contributions to employer-sponsored pension plans are, within limits, deductible for tax purposes. For plans to be registered for tax purposes, employer contributions must be made. Some plans call for employee contributions while others do not. In 1977, benefit payments from these plans totalled some $2.1 billion (with perhaps a quarter of this total flowing to those under the age 65). Benefits are taxable in the hands of the recipient.

Some 95 percent of the 4 million active plan members belong to defined benefit pension plans where the pension is determined according to one of a number of types of formulae. These are usually based on length of plan membership and often, on earnings. An example is a one percent final 5 year average plan; if the employee's average wage/salary in the last 5 years in the plan equalled $20,000 and if he/she had been a plan member for 25 years, the individual would be entitled to a pension at the normal pensionable age established by the plan of (one percent) ($20,000) (25 years) = $5,000.

Defined benefit plans are to be sharply distinguished from defined contribution plans to which the remaining 5 percent of plan members belong. Under these plans, the employer and usually also the employee, regularly contribute a sum of money, often a percentage of the employee's earnings. The funds are invested on behalf of the employee and the resulting accumulation is converted into an annuity, normally when the employee retires. As with personal saving, the size of the pension from a defined contribution plan is influenced by the rate of return the invested funds attract. This is not the case with the more popular defined benefit plans where pensions are paid according to an established formula.

With average incomes lagging from 15 to 18.1 percent behind the Canadian average, Nova Scotians will not be entitled to the same CPP benefits upon retirement as other Canadians unless there is a dramatic change in the Nova Scotia economy. With lower CPP benefits payable in Nova Scotia, it is almost assured that retired Nova Scotians will have to depend upon the OAS and GIS for a good part of their retirement income.

The lower level of wages prevailing in Nova Scotia will result in lower private pension payments to those who are participants in other pension plans. Thus, it can be seen that even with an expansion of the coverage of employees by private plans, because of lower wages, the CPP and private pension benefits earned by Nova Scotians will be lower than the Canadian average.

TABLE 2

COMPARISON OF AVERAGE NOVA SCOTIA WAGES AND SALARIES WITH THOSE OF CANADA

1971 - 1980

	Canada	Nova Scotia	Percentage of National Rate
1971	7,157	5,866	81.9
1972	7,759	6,406	82.6
1973	8,343	6,990	83.8
1974	9,260	7,798	84.2
1975	10,573	8,964	84.8
1976	11,857	10,046	84.7
1977	12,997	11,028	84.9
1978	13,814	11,633	84.2
1979	14,989	12,751	85.0
1980	16,503	13,829	83.8

NOTE: While the figures show Nova Scotia average wages lagging behind the Canadian average, they do illustrate a dramatic improvement over those of a quarter of a century ago when Nova Scotia's average wage was approximately 75 percent of the Canadian average.

TABLE 3

AVERAGE WEEKLY AND ANNUAL WAGES
1971 - 1980

	Canada		Nova Scotia	
	Weekly	Annual	Weekly	Annual
1971	137.64	7,157.28	112.20	5,866.64
1972	149.22	7,759.44	123.20	6,406.40
1973	160.46	8,343.92	134.44	6,990.88
1974	178.09	9,260.68	149.98	7,798.96
1975	203.34	10,573.68	172.40	8,964.80
1976	228.03	11,857.56	193.21	10,046.92
1977	249.95	12,997.40	212.09	11,028.68
1978	265.67	13,814.84	223.72	11,633.44
1979	288.25	14,989.00	245.23	12,751.96
1980	317.38	16,503.76	265.95	13,829.40

SOURCE: Nova Scotia Department of Development.

Coverage and Vesting

Employer-sponsored pensions are paid in respect of only a small proportion of the years worked. There are two principal reasons for this. First, many employers - mainly those of small and medium size - do not offer pension plans to their employees; second, the terms of employer-sponsored pension plans generally require many years of service before terminating employees acquire a vested right to a deferred pension.

Most small employers wish to avoid the administrative costs of operating a pension plan and the risks of higher than expected costs that can easily be associated with defined benefit plans. As a result, only some 48 percent of paid workers in Canada were members of employer-sponsored pension plans in 1976. When part-time workers and those under age 25 and over age 64 are excluded, the coverage ratio rises to an estimated 62 percent. There is a significant difference in the coverage ratios in the public and private sectors. In 1976, virtually all full-time employees between the age of 25 and 64 who worked for a public sector employer were members of a pension plan. In the private sector, the corresponding ratio is around 50 percent.

In Nova Scotia, only 41.6 percent of paid workers were members and 60.2 percent of full-time employees between the ages of 25 and 64 were included in pension plans. The public sector coverage in Nova Scotia approaches 100 percent, but the private sector membership is only a little over 20 percent. Private pension plan coverage of employees is quite deficient among several other employment sectors and employee groups.

Part-time workers, 72 percent of whom are women, are not usually eligible for pension plan membership. In 1979, some 9.1 percent of the tax filers in Nova Scotia were ineligible for membership because they were self-employed proprietors, professionals, farmers, fishermen or salesmen.

In certain industrial sectors, the degree of coverage is quite minimal. In 1980, only three-tenths of one percent of Nova Scotia's agricultural employees, 21 percent of construction workers and 12.5 percent of those employed in the trade sector were covered. The financial and service sectors had 36.1 percent and 32.6 percent coverage, respectively, while the remaining industries all had over 40 percent of their employees included in pension plans.

The ratio of pension coverage by industry for Canada as a whole is greater than that in Nova Scotia. For example, as noted, the Nova Scotia construction industry had a coverage ratio of 21 percent in 1980 as compared to the national construction industry coverage ratio of 47.9 percent in 1978.

According to 1979 taxation statistics, only 6.2 percent of Nova Scotians with incomes below $10,000 claimed deductions for registered pension plan contributions, while 47.1 percent of those with incomes over $10,000 claimed such contributions. The higher income earners also contributed greater amounts, on average, than did the lower income earners. Of those who claimed pension plan contributions, 85 percent had incomes over $10,000 and accounted for 95 percent of the total value of the contributions. Female contributions are only 64.5 percent of the corresponding male contributions.

The reason why years of pensionable service are only a small proportion of total years worked relates to the vesting provisions generally found in the employer-sponsored pension plan. A member of a defined benefit plan is said to be 'vested' when he has established a right to a pension calculated according to the plan's benefit formula. To become eligible, he may - for example, be required to have reached 45 years of age and to have been a member of the plan for at least 10 years. If an employee leaves the plan before meeting these requirements, he would be entitled to receive only a return of his own contributions, assuming it was a contributory plan, usually with some interest. In a non-contributory plan, he would receive nothing. Given such requirements, it is quite possible for a mobile employee to have been a member of a pension plan for all of his working years and yet enter retirement with no employer-sponsored pension whatsoever.

About 85 percent of all pension plan members belong to employer-sponsored pension plans that require at least 10 years of service before vested status is achieved. As a result of the mobility of the Canadian labour force, a high proportion of workers enter retirement with few, if any, years of pensionable service to their credit.

Forty-five years of age and 10 years of service is the minimum vesting standard required by plans in the federal jurisdiction and in the jurisdiction of five of the six provinces which have legislation regulating employer-sponsored plans. (The minimum vesting standard in the sixth province, Manitoba, is 10 years of service). In all 7 jurisdictions, a member of a contributory plan who leaves an employer after having met the '45 and 10' requirement cannot withdraw individual contributions; they are locked into the plan. Under these circumstances, the member will receive a deferred pension, that is, one that is payable at retirement age.

On average, Canadians (and particularly those working in the private sector) have to work longer under employer-sponsored pension plans than their counterparts in most other countries, before vested status is achieved.

The pensions of employees who move from employer to employer can be protected not only by early vesting provisions, but also by transfer agreements between employers and by multi-employer plans. In the case of transfer agreements, an employee's service and salary with a prior employer can be included in the pension calculation made by a subsequent employer. In the case of multi-employer plans, an employee moving among employers that are party to such an arrangement remains in the same plan. In such cases, an employee's job mobility does not damage pension status. Many employees in the public sector benefit from these arrangements but, in the private sector, only a handful of employers are party to transfer agreements. This, together with the vesting situation described above, means that portability in the employer-sponsored pension system is inadequate.

Survivors' Provisions

Most pension plan members are married when they retire. Since a significant proportion of their spouses will have little or no pension income of their own from employer-sponsored pension plans, the survivorship provisions of these plans are important.

In the private sector, over three-quarters of plan members belong to plans that do not provide automatic survivor's pensions when the retired plan member dies. Most of the remainder of private sector plan members belong to plans where, as well as being paid for the life of the member, the pension is paid to the survivor for a specified time period, usually five years. In this case, if the pensioner dies after three years of retirement, his spouse would continue to receive the pension for two years.

The survivorship provisions of public sector plans are, on average, considerably more generous than those in private sector plans. More than 70 percent of members of public sector pension plans receive the benefit of provisions which provide for automatic survivor's pensions on the death of the member after retirement.

Figures show that in 1980, the labour force of Nova Scotia was 363,000 with 36,000 unemployed; 41,000 in the 15 to 19 age group; and 42,000 working only part-time. The full-time employed group of 20 years of age and over was 244,000.

Employees of the Federal Government including crown corporations and the Canadian Armed Forces totalled 40,202. The provincial government, including hospital workers and Nova Scotia Power Corporation employees, accounted for 27,113. Municipal corporations had, including school teachers, an estimated 19,000 on their employment rolls. This makes a grand total of 86,315 employed in public administration and the Armed Forces in Nova Scotia.[1]

As surveys demonstrate, most of these public service employees would be contributing to a pension plan. Figures filed with the Provincial Superintendent of Pensions show that in 1981, exclusive of federal and provincial employees, there were 51,895 persons in 448 pension plans headquartered in Nova Scotia.

In addition, most national companies such as the banks, trust companies, oil companies, and major retail distributors do maintain pension plans on a national scale with most full-time employees over 20 years of age listed as members of such plans.

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[1] Department of Development

Figures produced by Statistics Canada show that in 1980, there were 137,747 persons who were members of one of 1448 plans operating wholly, or in part, in the Province of Nova Scotia. Private plan membership at nearly 60 percent of the employed workforce (20 years of age and over) approaches very close to the 62 percent figure produced by the Financial Executives Institute of Canada in its survey conducted in 1980 as being the percentage of the full-time employed labour force between the ages of 19 and 64 years who are members of pension plans.

Figures supplied by Statistics Canada show that in 1980 in Nova Scotia, the preponderance of employers maintaining private pension plans and the largest number of members were in the public sector:

Municipal	5,829
Provincial[1]	41,876
Federal[2]	39,429
Private Companies	50,637
Total	137,747

As was indicated in a background paper prepared by H.D. Clark, for the Federal Task Force on Pensions in 1980, the employer-sponsored pension plan coverage is quite good in companies with more than 100 employees and is almost non-existent in businesses with 15 or less employees.

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[1] Including teachers in local School Boards.

[2] Including crown corporations.

In the 1980 Statistics Canada figures of membership in pension plan, supervised by Nova Scotia Provincial Pension Authorities, 1,483 contributors were in plans with less than 15 members; these accounted for 51.2 percent of all private plans registered in the province, but only 3.3 percent of the membership. Statistics Canada reports that in 1980, some 79 percent of the 21,421 businesses in Nova Scotia had fewer than 50 employees, but that only 3.2 percent of these smaller scale enterprises had pension plans. Improvement in the coverage of this sector could have a significant effect on the overall level of coverage.

Two reasons are advanced for the lack of pension coverage in the smaller business organization:

- Financial inability to sponsor a plan.
- Difficulty in administering a plan for a small group.

It has been argued that most of the small businesses in Nova Scotia are marginal and the added burden of an additional 3.5 to 5 percent on payroll costs to contribute to a pension plan would be sufficient to bring many small businesses to the point of insolvency.

The additional paper work and other time devoted to the administration of a company-sponsored pension scheme has been cited as another major reason for nott introducing a pension plan. The timing and method of the imitiation of a company-sponsored pension plan is most important. In many cases where such plans have been suggested, the employees have rejected them because they would result in less take-home pay. (This is the common attitude of employees under 30 years of age).

A speaker at a National Pension Conference held in Toronto in October 1981, representing the Canadian Federation of Small Business, stated that the vast majority of small businesses in 1980 reported profits of less than thirty thousand dollars, and was of the opinion that most could not possibly consider the establishment of an employer-sponsored pension plan.

RETIREMENT INCOME SYSTEM

PART III

REGISTERED RETIREMENT SAVINGS PLANS

Legislation respecting the establishment and control of Registered Retirement Savings Plans was enacted by the Government of Canada and became effective in 1957.

The announced objectives of the legislation were to encourage Canadians to provide for their own old age security and to give all Canadians who were not covered by public agency and private pension plans, the opportunity to contribute to a retirement plan and to take advantage of the tax reduction thereof.

Under existing legislation, a citizen may contribute 20 percent of income from employment to a maximum of $5,500 to a Registered Retirement Savings Plan if not participating in an occupational plan with an employer, or up to $3,500 of income if he/she did participate in such a plan.

The individual plan must be entrusted to a qualified trustee, all deposits are receipted, and copies of all receipts and withdrawals are reported to the Department of National Revenue in Ottawa.

Until recent amendments in the legislation were adopted, all holders of Registered Retirement Saving Plans were required to convert their RRSP fund to an annuity prior to attaining their 71st birthday.

As a result of these amendments in the law governing RRSP's, it is now possible to forgo the purchase of an annuity and withdraw a fixed percentage from the fund on an annual basis designed to exhaust the fund on the 91st birthday of the registrant.

The amendment, while giving the fund holder an option, falls short of the ideal. A fund holder can elect to purchase an annuity designed to provide a fixed amount for life or may choose to accept the other alternative which provides for the withdrawal of 5 percent of the capital each year, plus interest.

The Statistics Canada publication, "Pension Plans in Canada", 1980, reported as follows:

> A study of Taxation Statistics reveals that total premiums to RRSP's increased from $27.5 million in 1960 to $179 million in 1969, and more especially showed a remarkable growth during the 1970's reaching $3,091 million in 1979. In fact, since 1976, aggregate RRSP premiums have exceeded employee contributions to employer-sponsored pension plans. In 1969, less than 206,000 Canadians, just 2.3 percent of all tax filers, contributed an average of $867 into this savings vehicle, 11.8 percent of all tax filers that year, reporting an average contribution of $1,791.
>
> Participation in the RRSP program was much more prevalent amongst taxpayers in the upper income levels since, logically, they were the ones who were most likely to have surplus for savings and, furthermore, had more to gain because of their higher marginal tax rates. Of the more than 1.7 million taxpayers who reported RRSP contributions in 1979, nearly 37 percent had earnings of $25,000 or more. While the average contribution was $1,791, taxpayers in the higher earning brackets contributed average amounts ranging from $1,986 for those in the $25,000 to $29,999 range to $3,752 for those who earned $40,000 or more. More than 45 percent of tax filers with an annual income of $25,000 or more contributed into RRSP's in 1979.

> **Contributors to RRSP's are limited in terms of the total amount of premium that can be claimed annually for income tax purposes. At present, non-participants in employer-sponsored pension plans may contribute 20 percent of earnings to a maximum of $5,500 per year. An employee belonging to a pension plan is permitted to claim only the lesser of 20 percent of earned income or $3,500 (assuming that the employer has made contributions on his behalf into the pension fund during the tax year under review). Furthermore, the $3,500 maximum is further reduced by the pension plan contributions made by the employee himself.**
>
> **As evident from the accompanying text Table 4, 697,189 or 40 percent of all contributors to RRSP's in 1979 also contributed to employer-sponsored pension plans. On average, they paid $1,398 into an RRSP in addition to $1,029 to their employer's pension plan for a total of $2,427. It is interesting to note that the 1,028,770 contributors to RRSP's paid an average of only $2,057. However, of those RRSP contributors that did not participate in a pension plan and earned in excess of $40,000, the average RRSP contribution was $4,494 whereas the dual contributors in this earnings group contributed $3,757 in total to their pension plan and RRSP combined.**

The figures shown in Table 4 and 5 indicate that for a substantial number of Canadians, the RRSP's are performing the function for which they were primarily designed.

For more than a million Canadians, the RRSP's were the only pension plans in which they participated in 1979. Of this number, 403,705 had incomes of less than the average industrial wage ($18,000). Of the 1979 income tax filers, nearly 60 percent of those who contributed to an RRSP were not contributors to private pension plans. It is obvious that for these million plus taxpayers, the RRSP is an important part of the retirement income planning process.

As noted, the plans have been in existence since 1957 and the funds are contributing to the economic development of Canada through investments by the trustees of the plans. In 1979, the total contributed in RRSP's was $3.09 billion and, according to figures published in the 1979 report of the Federal Task Force on Retirement Income Policy, total assets of the RRSP's at the end of 1976 were estimated to be in the order of $7.5 billion. Contributions to RRSP's and annual average contributions by contributors based on annual income in 1979 as reported by Statistics Canada, were as shown in Table 4 on page 89.

TABLE 4

NUMBER AND PROPORTION OF TAX FILERS CONTRIBUTING TO RRSP'S AND AVERAGE ANNUAL CONTRIBUTIONS BY CONTRIBUTORS' ANNUAL INCOME, 1979 [1]

	ALL RRSP CONTRIBUTIONS			CONTRIBUTIONS[1] TO RRSP'S ONLY	
Income	Number	Proportion Of Tax Filers	Average Contributions (Dollars)	Number	Average Contribution (Dollars)
LESS THAN $6,000	29,114	0.6	456	27,670	454
6,000 - 7,999	41,092	3.3	742	37,275	755
8,000 - 9,999	69,412	5.8	863	58,391	889
10,000 - 11,999	98,9289	8.7	951	72,927	989
12,000 - 13,999	118,092	11.7	1,053	77,420	1,144
14,000 - 15,999	127,813	14.7	1,218	79,686	1,318
16,000 - 17,999	137,555	17.0	1,354	80,336	1,454
18,000 - 19,999	143,003	20.8	1,440	76,370	1,602
20,000 - 24,999	322,965	26.7	1,672	167,892	1,892
25,000 - 29,999	227,624	36.0	1,986	112,421	2,426
30,000 - 34,999	145,480	46.2	2,282	67,864	3,047
35,000 - 39,999	83,650	52.4	2,594	42,659	3,490
40,000 and over	181,231	59.2	3,752	127,282	4,494
TOTAL	1,725,959	11.8	1,791	1,028,770	2,057

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[1] Excludes contributors to RRSP's who contributed to private pension plans as well.

SOURCE: Derived from special tabulations from Revenue Canada, Taxation. Pension Plans in Canada, 1979, Statistics Canada.

TABLE 5

AVERAGE ANNUAL CONTRIBUTIONS TO PRIVATE PENSION PLANS AND RRSP'S MADE BY DUAL CONTRIBUTORS, BY ANNUAL INCOME 1979 [1]

Income	Dual Contributors RRSP and Private	Average Contributions Private Plans	Average Contributions To RRSP's	Average Ccontributions To RRSP and PPP
LESS THAN $6,000	1,444	130	485	615
6,000 - 7,999	3,817	266	613	878
8,000 - 9,999	11,021	284	722	1,006
10,000 - 11,999	26,001	416	846	1,261
12,000 - 13,999	40,095	484	875	1,359
14,000 - 15,999	48,127	583	1,051	1,634
16,000 - 17,999	57,219	676	1,213	1,889
18,000 - 19,999	66,633	807	1,253	2,060
20,000 - 24,999	155,073	970	1,434	2,404
25,000 - 29,999	115,203	1,205	1,557	2,762
30,000 - 34,999	77,616	1,451	1,614	3,065
35,000 - 39,999	40,991	1,611	1,661	3,272
40,000 and over	53,949	1,755	2,002	3,757
TOTAL	697,189	1,029	1,398	2,427

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[1] Pension Plans in Canada, 1979, Statistics Canada.

SOURCE: Special tabulations from Revenue Canada, Taxation.

RETIREMENT INCOME SYSTEM

PART IV

PRIVATE SAVINGS AND INVESTMENTS

The fourth pillar of retirement income is that provided through private savings and investments.

The Carter Commission of 1966 expressed a philosophical view (not unlike that expressed by others in times past) in this excerpt from the report:

> **"It seems to be generally agreed that individuals should set aside a portion of their income in their working years to ensure an adequate command over goods and services in their retirement years. Such private provisions for retirement are thought to foster self-reliance and to reduce the need for the state to provide relief. If in fact this is a desirable social goal, the tax system is one tool available to government to influence retirement saving."** [1]

Results of many surveys disclose that Canadians are savers as compared to many other nationalities. In 1966, Canadians lagged behind Americans as savers but by 1979 had increased their personal savings rate by more than three times!

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[1] Report of the Royal Commission on Taxation, Volume 3 (Ottawa: Queen's Printer, 1960), Pg. 409.

TABLE 6

THE PERSONAL SAVINGS RATE IN CANADA AND THE UNITED STATES

(PERCENTAGE)

Year	Canada	United States
1960	3.3	4.9
1961	2.8	5.6
1962	5.6	5.3
1963	5.4	4.7
1964	4.2	6.0
1965	5.5	6.4
1966	6.7	6.5
1967	6.3	7.5
1968	5.6	6.5
1969	5.4	5.6
1970	5.3	7.4
1971	5.9	7.7
1972	7.4	6.2
1973	9.0	7.8
1974	9.9	7.3
1975	10.9	7.7
1976	10.0	5.8
1977	9.8	5.0
1978	10.3	4.9
1979	10.5	4.6

SOURCE: Statistics Canada

While moving ahead of the United States in the percentage of disposable income reserved for savings, Canadians fall behind Japan, Italy, West Germany, France, Sweden and the United Kingdom.[1]

TABLE 7

AVERAGE PERSONAL SAVINGS RATES[2] AND AVERAGE ANNUAL CHANGES IN CPI'S OF SELECTED OECD COUNTRIES

SELECTED PERIODS 1960-1976 (PERCENT)

	Savings Rate	Inflation Rate	Savings Rate	Inflation Rate
	1960-1970		1973-1976	
Canada	5.1	2.6	10.0	9.2
United States	6.0	2.6	7.1	8.0
Japan	18.5	5.5	22.0	14.2
Italy	11.6	3.8	18.0	15.9
West Germany	16.4	2.5	13.9	6.1
United Kingdom	8.1	3.7	13.7	16.4
France	7.3	4.0	9.3	10.5

SOURCE: Organization for Economic Cooperation and Development National Accounts of OECD Countries, and International Monetary Fund, International Financial Statistics.

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[1] Information gathered from "Social Security Programs Throughout the World, 1979",a publication of the U.S. Department of Health and Human Services, would indicate that contributions of employers and employees to national pension plans in West Germany, Italy and the United Kingdom would partially account for the high rate of personal savings in these countries.

[2] In this paper, we have placed RRSP's in a separate savings category although the Statistics Canada figures used throughout include RRSP's under the heading of Personal Savings. Also included are cash, bank deposits, treasury bills, certificates of deposit, life insurance, pension plan credits, long term securities, stocks, bonds and foreign investments. It does not include personal residences, vacation cottages, or other assets.

For many Canadians, savings are an important part of planning for retirement income. Savings may be described as the restraint from or deferral of spending. The personal savings rate is the ratio of personal savings to personal disposable income, usually expressed as a percentage.[1]

Our interest in personal savings extends only in so far as such form part of the planning for retirement. The Life Cycle Hypothesis as advanced by Albert Ando and Franco Modigliani[2] demonstrates the years in which there is, on average, some surplus monies over and above those required for normal needs. As illustrated in Figure 1, in the early years of a person's life (period 1) current expenditures exceed current income and the individual is a net borrower throughout the next phase (period 2). The individual is able to cover his previously incurred debts and save for retirement. As in phase 1 (period 1) during the later years, current income falls short of current consumption. However, during this phase (period 3) the individual may utilize savings accumulated during his middle years to cover current expenditure.

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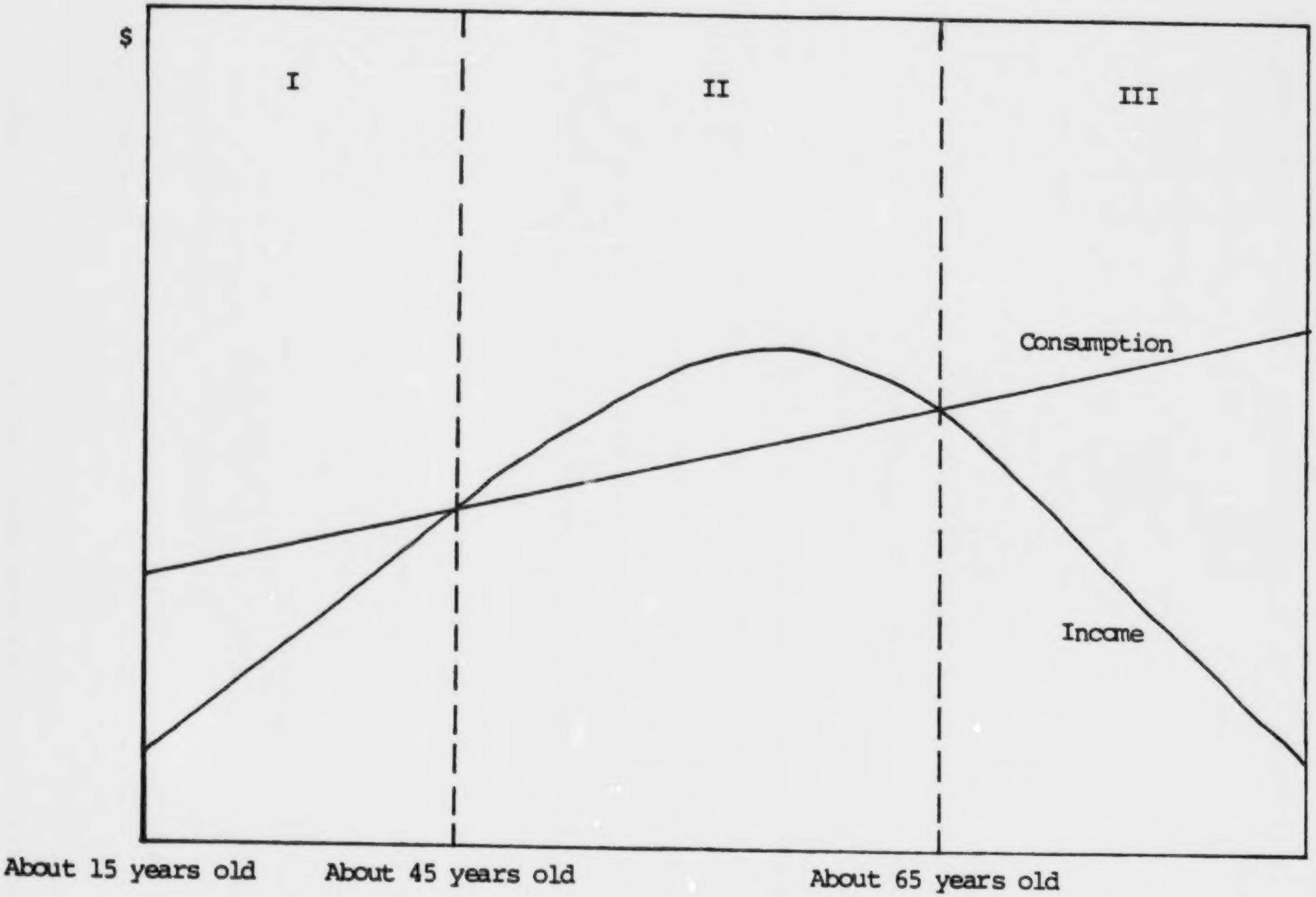
[1] Personal Savings in Canada, Conference Board of Canada, Ottawa, 1981.

[2] Ibid.

THE LIFE CYCLE HYPOTHESIS



Note: Period I refers to early working years when consumption exceeds current income, and is thus a time of net borrowing. In Period II, the typical individual receives his peak income level and is a net saver. Period III is generally associated with retirement years and therefore represents a period of dis-saving, but not net borrowing.

Source: R. F. Harros. Towards a Dynamic Economics (London: MacMillan & Co. Ltd., 1948); The Conference Board of Canada

Dr. Peter R. Anderson of Woods Gordon & Company, in 1979, said:[1]

> Personal savings flow into Registered Savings Plans and Registered Home Ownership Plans appears to have fundamentally increased the propensity of Canadians to save. As has been shown in a number of studies, the establishment of longer term contractual savings commitments often cause an overall increase in household savings. For example, it has been shown that contributory pension plans rather than inducing persons to cut back on other discretionary saving, actually encourage additional discretionary saving.
>
> The tax shelter savings plan - RRSP's and RHOSP's - offer compelling reasons for households of all ages to increase their savings. It is also possible that such plans increase the awareness of the need to save and thereby discourage the substitution effect which might otherwise have reduced other types of personal savings.

It can be concluded that Canadians do regard savings as an important element in planning for retirement income, that the savings are growing and that younger Canadians are saving a higher proportion of their personal disposable income.

Home Ownership

It is evident from observation, testimony and interviews that home ownership looms large in the retirement income planning of Canadians. Figures produced in 1976 show the incidence of home ownership by age groups. The following table well illustrates this point. It is noted that nearly 63 percent of those 65 years of age and over reside in their own homes. The incidence of home ownership reached a peak in the years between 45 - 54 when home ownership attracted 74.4 percent of the people in that age bracket. The decline in home ownership beyond this point is attributed to the "empty nest syndrome" with people selling their homes and moving to rental accomodations (usually apartments) when the children leave home. In many of such cases, the family home has been sold and funds invested for supplementary retirement income.

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[1] The Canadian Business Review - Summer 1979 issue.

TABLE 8

INCIDENCE OF HOME OWNERSHIP AND MORTGAGE INDEBTEDNESS

CANADA 1976

Age	Average Income	Incidence of Home Ownership	Incidence of Mortgage Indebtness (1% of Home Owners)
Less than 24	9,444	12.2	82.6
25 - 34	16,643	52.9	85.5
35 - 44	20,395	72.7	75.1
45 - 54	21,056	74.4	53.9
55 - 64	16,818	70.4	31.3
65 and over	8,604	62.6	9.7
All age groups	15,849	59.6	54.0

Home ownership forms part of the retirement planning in greater proportion in Nova Scotia than it does in Canada as a whole. Table 9 illustrates this point (the

SOURCE: Statistics Canada, 1977.

1976 figures show a much higher incidence of home ownership in all age categories in Nova Scotia compared to the figures for Canada). As noted previously, 21,000 OAS recipients who are home owners in Nova Scotia received a rebate on their 1979 property taxes from the provincial government in the total amount of $2.2 million for an average of nearly $105 per assisted home.

TABLE 9

HOME OWNERSHIP BY AGE GROUPS - 1976

CANADA AND NOVA SCOTIA EXPRESSED AS A PERCENTAGE

	Canada	Nova Scotia
Under 25	12.2	28.0
25 - 34	52.9	62.5
35 - 44	72.7	77.4
45 - 54	74.4	81.7
55 - 64	70.4	82.6
65 and Over	62.6	78.0

SOURCE: Basic information supplied by Canada Mortgage and Housing Corp.

It is noted that although Nova Scotians, on the average, earn less than other Canadians, the incidence of home ownership is considerably higher in this province. This reflects two aspects of our life. One, the evident priority that Nova Scotians place on the matter of providing their own home and second, the slower pace of urbanization in this province compared to other sections of Canada with the resulting slower growth of rental accomodations, particularly multiple units.

Table 10 contains some significant figures. In the earning years, there is not very much change in the percentage of those owning their own homes measured over a period of 20 years and a slight drop of home ownership in the over 65 group. This could be as a result of the growth of senior citizen housing and nursing homes.

It should be noted that the Guaranteed Income Supplement regulations do not take into account the fact of home ownership (although it was an important part of the early Old Age Pension regulations) but, if the home is sold and the resulting funds are invested, the income is a factor in determining the extent of the GIS payment.

In planning for retirement, Nova Scotians should be aware of this anomaly in the law.

TABLE 10

NOVA SCOTIA HOME OWNERSHIP BY AGE OF HOUSEHOLDER IN SELECTED YEARS EXPRESSED AS A PERCENTAGE

	1961	1976	1981
Under 25	34.7	28	27.2
25 - 34	65.3	62.5	60.9
35 - 44	78.5	77.4	77.1
45 - 54	82.9	81.7	81.4
55 - 64	83.7	82.6	82.2
65 and Over	80	78	77.5

SOURCE: Basic information supplied by Canada Mortgage and Housing Corp.

THE ROLE OF THE GIS IN NOVA SCOTIA RETIREMENT INCOME

After comprehensive study and consultation, the principal fact to emerge is that the Guaranteed Income Supplement is a major component of the retirement income system of Nova Scotians.

In June of 1981, there were 92,550 people age 65 and over in Nova Scotia. They represented 10.9 percent of the provincial population, up 1.2 percentage points from their 9.7 percent in 1976. This was higher than the national average of 9.5 percent for June of 1981. It has been projected that those 65 and over will be 11 to 13 percent of the national population (3 to 3.5 million) by the year 2001.[1]

TABLE 11

PERCENTAGE OF POPULATION WHO ARE 65 AND OVER NOVA SCOTIA AND CANADA - 1976, 1981

Region	1981 Number 65 And Over	1981 Population	Percent 65 And Over 1976	1981
Nova Scotia	92,550	847,442	9.7	10.9
Canada	2,320,177	24,343,181	8.7	9.5

SOURCE: Statistics Canada, Canada's Elderly and the 1981 Census of Canada.

* On this and the next page, there are differing figures with respect to the number of recipients of OAS and the population 65 and over. These discrepancies come about because some residents of Nova Scotia, 65 and over, are Nova Scotians who worked in the U.S.A. and returned with U.S. Social Security Pension and are not eligible for the OAS. Another reason for apparent minor discrepancies for the figures is because the OAS is not paid in the month in which one attains the 65th birthday, but rather the following month; and finally, the tabulations were made at different times in the year, thus accounting for some minor variations in figures.

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[1] Statistics Canada, Canada's Elderly

As their relative numbers increase, the elderly will be effecting even greater influence on the Canadian socio-economic system. In any examination of the pension needs of Canadians, it is necessary to study their numbers, their needs, their wants and the means at their disposal for providing for their maintenance and comfort.

In Nova Scotia, over 56 percent of the elderly are female who are, on average, a bit older than their male counterparts. Two-thirds of the males were in the 65-74 age category, while only 58 percent of the females were in this group. Also, 7 percent of the males and 11 percent of the females were 85 years of age or older.

TABLE 12

DISTRIBUTION BY AGE AND SEX OF THE ELDERLY POPULATION

NOVA SCOTIA - JUNE 1981

	Male		Female		Total	
Age	Number	Percent	Number	Percent	Number	Percent
65-69	15,307	38.3	17,293	33.3	32,600	35.5
70-74	11,451	28.7	13,007	25.1	24,458	26.6
75-79	6,757	16.9	9,562	18.4	16,319	17.8
80-84	3,777	9.5	6,375	12.3	10,152	11.1
85-89	1,830	4.6	3,787	7.3	5,617	6.1
90 +	820	2.1	1,878	3.6	2,698	2.9
TOTAL	39,942	100.0	51,902	100.0	91,844	100.0
	44 Percent		56 Percent		100 Percent	

SOURCE: Statistics Section, Income Security Programs, Health and Welfare Canada, special tabulations.

A little more than half (53.3 percent) were married, while 34.3 percent were widowed; 11 percent had never been married and 1.5 percent were divorcees. Eighty-one percent of those who were widowed were females, many of them 75 years of age and over.[1]

In 1981, some 55 percent of Nova Scotia's elderly population were living in urban areas. This is an increase from the 51.7 percent living in urban areas in 1971. A little over 20 percent of them were living in urban centres of 100,000 or more residents (i.e., Halifax - Dartmouth).

TABLE 13

PERCENTAGE DISTRIBUTION BY PLACE OF RESIDENCE FOR THOSE 65 AND OVER NOVA SCOTIA - 1971, 1981

	1971	1981
	N.S.	N.S.
Urban	51.7	55.0
100,000 & Over	17.5	20.2
Under 100,000	34.2	34.8
Rural	48.3	45.0
Farm	3.8	1.7
Non-Farm	44.5	43.3

SOURCE: L.O. Stone and S. Fletcher, A Profile of Canada's Older Population.

Statistics Canada: 1981 Census of Canada (Volume 1: National Series) Volume 1: Population - 100 Percent Data

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[1] See Table 26.

The majority of Nova Scotia's senior citizens living in private dwellings own their residence. In 1976, a substantial 78.6 percent of those 65 and over and living in private dwellings owned their home. (These figures do not include those living in institutions). For all of Canada, only 64.3 percent of the household heads 65 and over owned their home in 1976.[1]

This pioneer tradition of providing one's own dwelling has persisted in Nova Scotia resulting in a high incidence of home ownership.

TABLE 14

OCCUPIED PRIVATE DWELLINGS BY MARITAL STATUS FOR THOSE 65 AND OVER

NOVA SCOTIA - 1976

	OWN		RENT		TOTAL
	Number	Percent	Number	Percent	
Single	3,130	68.9	1,415	31.1	4,545
Married	20,645	85.0	3,650	15.0	24,295
Widowed	13,445	73.2	4,935	16.8	18,380
Divorced	310	60.8	200	39.2	510
TOTAL	37,530	78.6	10,300	21.4	47,730
					100 Percent

SOURCE: Statistics Canada, Occupied Private Dwellings by Characteristics of the Private Household Head, 1976 Census of Canada.

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[1] See Table 30.

Statistics Canada data on home ownership in Canada (1977) shows that 90.6 percent of home owners 65 years of age and over own their home free of any mortgage, whereas only 56.6 percent of home owners aged 45-64 own their home without a mortgage.[1]

Some members of the elderly population are unable to care for themselves and are in need of special assistance. As a result, they are cared for in publicly or privately operated institutions.

At capacity, Homes for the Aged in Nova Scotia can provide care for 3,259 seniors, Nursing Homes another 1,643 and Residential Care Facilities an additional 1,060 for a grand total of 5,962.[2] Most of these facilities are operating at capacity throughout the year which means that a little over 6 percent of the senior population would be living in these institutions at any given time.

About two-thirds of the OAS recipients in Nova Scotia (June 1981) were also in receipt of the GIS and 20.6 percent were receiving the maximum monthly benefit. (The corresponding national averages were 54.1 percent and 15 percent). The proportion in receipt of the GIS has remained virtually constant for the last 10 years, while the proportion on the maximum has declined steadily from its level of 36.9 percent in 1971.

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[1] Statistics Canada, Expenditure Patterns and Income Adequacy for the Elderly, 1969-1976.

[2] Department of Social Services, Province of Nova Scotia.

TABLE 15

PERCENT OF OAS PENSIONERS RECEIVING GIS AND MAXIMUM GIS NOVA SCOTIA - DECEMBER 1971 AND 1981

Year	Percentage Receiving GIS	Percentage Receiving Maximum GIS	Total Number of Pensioners
1971	66.99	36.9	72,932
1981	66.05	20.6	93,541

SOURCE: Monthly Statistics - Income Security Programs, Health and Welfare Canada.

The proportion of the 65 and over population who are receiving the maximum benefit is greater for those in the older age categories, especially women. Just under 23 percent of elderly women are in receipt of the maximum as compared to 18.6 percent for the men. While 14.2 percent of the females 65-69 received maximum benefits, 32.4 percent of those 75 and over were recipients. Similarly, 16.7 percent of males 65-69 were getting the maximum as were 22.5 percent of those 75 and over. Three out of four pensioners, 75 and over, receive some GIS whereas only 56.9 percent of those 65-69 are beneficiaries.

TABLE 16

GIS RECIPIENTS AS A PROPORTION OF PERSONS 65 YEARS OF AGE AND OVER, BY AGE AND SEX

NOVA SCOTIA - 1981

Percent of Maximum Benefit	All Male	65-69	70-74	75 +	All Females	65-69	70-74	75 +
Under 20	3.1	3.8	3.3	2.2	2.6	3.7	2.8	1.7
20 - 39	5.6	5.7	6.3	5.0	5.2	6.7	5.7	3.6
40 - 59	8.8	8.0	9.6	9.0	7.6	8.9	8.6	5.9
60 - 79	11.7	10.3	12.6	12.6	11.2	12.9	12.3	9.2
80 - 99	16.2	10.1	15.9	23.5	17.9	12.7	17.8	22.2
100	18.6	16.7	16.5	22.5	22.9	14.2	18.9	32.4
All Classes	64.0	54.6	64.1	74.8	67.5	59.0	66.2	75.1

SOURCE: Information Systems, Income Security Programs, Health and Welfare Canada, special tabulations.

The proportion at the maximum GIS benefit level also varies by marital status. About 35 percent of single seniors (i.e., never married, widowed or divorced) and 14.7 percent of the married ones are paid at the maximum rate. Three-quarters of singles get some GIS as do 55.8 percent of the married population.

As of December 1981, 44.2 percent of the OAS pensioners who were also in receipt of a CPP retirement pension with the average yearly benefit being $1,715. The proportion was only 31.5 percent in 1976. The average CPP retirement pension paid to women is only 70 percent of that paid to men. The OAS, GIS and Spouses' Allowance provided single recipients with maximum annual benefits of $2,733.72, $1,968.72 and $2,777.64, respectively, as of March 1982.

In addition to these sources of income, there are other forms of assistance available to the senior citizens of Nova Scotia as noted in this Report.

According to 1979 Taxation Statistics for Canada, 71 percent of OAS recipients had incomes of less than $10,000 and 40 percent had incomes less than $5,000. However, these figures are based on individual returns and, therefore, do not provide a measure of family incomes which would, on average, be considerably higher. Statistics Canada survey data for 1978 shows that couples 65 and over have, on average, 1.9 times as much income as unattached individuals 65 years of age and over.

TABLE 17

CPP RETIREMENT PENSION RECIPIENTS

NOVA SCOTIA - 1971-1981

Year	Number	Amount ($Thousands)	Average Monthly Pension	# of OAS Pensioners	#CPP / #OAS x 100%
1971	9,494	228.6	23.74	72,932	13.0%
1972	11,404	337.2	27.39	74,064	15.4%
1973	13,932	458.2	32.39	75,655	18.4%
1974	16,453	702.8	40.76	77,166	21.3%
1975	20,256	1,119.2	52.75	79,318	25.5%
1976	25,572	1,776.9	70.04	81,146	31.5%
1977	28,557	2,437.3	81.98	83,277	34.3%
1978	31,373	3,102.6	94.34	85,779	36.6%
1979	35,507	3,929.0	108.46	88,525	40.1%
1980	38,558	4,840.1	124.56	91,188	42.3%
1981	41,344	5,937.5	142.91	93,541	44.2%

SOURCE: Canada Pension Plan Statistical Bulletins, 1971-1981.

TABLE 18

CPP RETIREMENT PENSIONS

AVERAGE MALE AND FEMALE PENSIONS

FROM 1966-67 TO 1981-82

CANADA

Period	Average Annual Male Pension	Average Annual Female Pension	Female to Male Pension Ratio (Percent)
1966-67	14.94	13.22	88
1967-68	56.05	47.67	85
1968-69	94.69	76.84	81
1969-70	160.19	123.49	77
1970-71	246.15	185.93	76
1971-72	303.32	235.93	78
1972-73	356.14	277.47	78
1973-74	422.89	326.93	77
1974-75	538.09	392.75	73
1975-76	698.33	520.46	75
1976-77	935.79	681.85	73
1977-78	1,117.93	799.40	72
1978-79	1,310.40	929.93	71
1979-80	1,468.48	1,034.46	70
1980-81	1,701.60	1,186.08	70
1981-82*	1,983.08*	1,363.60*	69

*Preliminary figures.

SOURCE: Statistics Section, Income Security Programs, Health and Welfare, Canada.

TABLE 19

INCOMES OF OAS RECIPIENTS

CANADA - 1979

Income Class	Number	Percent Distribution	Cumulative Percent Distribution
Loss and Nil	1,117	.1	.1
1-1,000	7,899	.5	.6
1,000-5,000	577,688	39.3	39.9
5,000-10,000	457,014	31.1	71.0
10,000-15,000	204,290	13.9	84.9
15,000-20,000	91,946	6.3	91.2
20,000-30,000	72,346	4.9	96.1
30,000-40,000	25,931	1.8	97.9
40,000-50,000	11,723	.8	98.7
50,000 and Over	20,153	1.4	100.1*
TOTAL	1,470,167	100.1*	

*Does not add to 100 percent due to rounding.

Note: These figures are based on individual returns and, therefore, do not give a measure of family incomes which would, on average, be considerably higher.

SOURCE: Revenue Canada Taxation, Taxation Statistics, 1981 Edition.

Taxation data for 1979 also provides the distribution of sources of income for Nova Scotians 65 and over. Income from employment accounted for 11.6 percent of their total incomes. Other sources included: OAS, 18.3 percent; CPP/QPP, 9.6 percent; other pensions, 17.7 percent; business and self-employment, 3.1 percent; investments, 33.5 percent; and miscellaneous sources, 6.2 percent.

Closer examination of those individuals in Nova Scotia who were in receipt of the GIS in June of 1981 reveals that their incomes, excluding any workers' compensation and veterans' disability benefits, would have ranged from $5,032 to $7,570 for single pensioners, from $8,911 to $12,835 for married couples who were both pensioners and from $5,032 to $13,690 for married couples, only one of whom was a pensioner. The estimated Statistics Canada poverty lines for one and two member families were $5,475 and $7,936, respectively. (Assumes residence in an urban center with 30,000 or fewer inhabitants). Therefore, 13,336 Nova Scotians in receipt of the GIS at the maximum single rate and 1,158 receiving the maximum married-spouse not a pensioner-rate had incomes below the poverty line. Another 8,649 single seniors receiving 80-99 percent of the maximum GIS would have had incomes of less than $5,550. This is a total of 23,143 seniors living with incomes which are at best only marginally in excess of the poverty line. They represented 25 percent of all senior citizens in Nova Scotia, with 72 percent of them being females.

TABLE 20

SUMMARY OF SOURCES OF INCOME

FOR INCOME TAX FILERS 65 AND OVER

NOVA SCOTIA AND CANADA - 1979

Source of Income	Source as a Percent of the Total Income Assessed	
	Canada	Nova Scotia
Employment	10.9	11.6
OAS	20.0	18.3
CPP	8.4	9.6
Other Pension	14.0	17.7
Business and Self-Employment	4.0	3.1
Investments	33.9	33.5
Miscellaneous	8.8	6.2
	100.0	100.0
Total Income Assessed	$14,632,763,000	$388,915,000
Total Number of Returns	1,520,255	37,532
Average Income Assessed	$ 9,625	$ 10,362
Total Tax Payable	$ 1,345,398,000	$ 34,983,000
As a percentage of Total Income	9.2%	9.0%

SOURCE: Revenue Canada, Taxation.

TABLE 21

TAXATION RETURNS - 1979 TAX YEAR

FOR NOVA SCOTIANS 65 AND OVER

Line		Number	$('000)	$ Average	Percent Reporting	Percent Income
1	Number of Taxable Returns	20,432				
2	Number of Non-Taxable Returns	17,100				
3	Total Number of Returns	37,532*				
Sources of Income:						
4	Wages and Salaries	6,416	44,471	6,931	17.1	11.4
5	Commission from Employment	138	727	5,268	.4	.2
6	Other Employment Earnings	190	39	205	.5	.01
7	Family Allowance	1,094	401	367	2.9	.1
8	Unemployment Insurance Benefits	2,151	2,378	1,106	5.7	6.1
9	Old Age Pension	36,469	71,324	1,956	97.2	18.3
10	CPP or QPP Benefits	31,932	37,206	1,165	85.1	9.6
11	Other Pensions or Superannuation	18,694	68,728	3,676	49.8	17.7
12	Net Business Income	1,552	4,306	2,774	4.1	1.1
13	Net Professional Income	443	4,953	11,181	1.2	1.3
14	Net Commission Income	555	1,180	2,126	1.5	.3
15	Net Farming or Fishing Income	928	1,694	1,825	2.5	.4
16	Taxable Amount of Dividends	7,680	37,037	4,823	20.5	9.5
17	Bond Interest	11,528	22,922	1,988	30.7	5.9
18	Bank Interest	28,376	62,254	2,194	75.6	16.0
19	Mortgage Interest	550	1,455	2,645	1.5	.4
20	Income from Trusts	1,619	4,031	2,490	4.3	1.0
21	Annuity Income	2,079	2,911	1,400	5.5	.7
22	Other Canadian Investment Income	1,568	650	415	4.2	.2
23	Foreign Investment Income	862	1,815	2,106	2.3	.5
24	Net Rental Income	2,162	3,855	1,783	5.8	1.0
25	Net Taxable Capital Gains	3,969	9,224	2,324	10.6	2.4
26	Miscellaneous Income	2,651	5,355	2,020	7.1	1.4
27	TOTAL INCOME	37,451	388,915	10,385	99.8	100.0

*__Note__: This represents 43.5 percent of all OAS pensioners in 1979.

__SOURCE__: Revenue Canada Taxation, special tabulations

Few of the elderly continue to participate in the labour force after reaching the age of 65. Only 4.3 percent of Nova Scotians 65 and over, were employed as of April 1982. This is considerably less than the 10.3 percent who were employed in 1976. It appears that either the maturation of the pension system has reduced the willingness and/or need of senior citizens to participate in the work force or their opportunites for doing so have been greatly diminished.

Survey data compiled by Statistics Canada for 1978 outlines the percentage distribution of expenditures of senior citizens in Canada. Unattached individuals aged 65 and over spent 59.2 percent of their total expenditure or 67.9 percent of their current consumption dollars on food, shelter, clothing and medical/health care. Married couples spent 46.8 percent of their total expenditure or 56.5 percent of their current consumption dollars on the same necessities. The corresponding figures for all families whose head was 65 years of age or older were 49.8 and 59.2 percent.

> "Using dietary evaluation as a general index of health status, a Nutrition Canada survey revealed that the diets of the elderly are often less than adequate. Females fared worse than males for all nutrients except Vitamin C. More than half of the diets of the elderly women suffered from an "inadequate" or "less than adequate" supply of thiamin, iron and Vitamin A. More than a third of the diets were deficient in protein, calcium and riboflavin.
>
> Further, it appears that the diets of women become increasingly inadequate with age. A comparison of the nutrient

intakes of young, middle-aged and senior females indicates that women over the age of 65, on the whole, have less adequate diets than either young or middle-aged women." [1]

TABLE 22

EMPLOYMENT/POPULATION RATIOS FOR NOVA SCOTIANS 65 AND OVER 1976 AND 1982

Year	Sex	Number Employed	Employment as a Percent of Population
1976	Male	5,700	15.8
	Female	2,605	5.8
	Total	8,305	10.3
1982	Male	3,000	7.5
	Female	1,000	1.9
	Total	4,000	4.3

SOURCE: Statistics Canada, Labour Force Participation Rates by Age and Sex, Canada, Provinces and Census Divisions, 1976 and The Labour Force, April 1982.

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[1] Canadian Research Institute for the Advancement of Women (Nova Scotia), submission to the Nova Scotia Royal Commission on Pensions, March 1982, Pg. 3.

Text Continues on Page 231

TABLE 23

PERCENTAGE DISTRIBUTION OF EXPENDITURE FOR THOSE 65 AND OVER

CANADA - 1978

(Includes both the urban and rural populations)

Item	Unattached Individuals	Married Couples Husband 65 Years and Over	All Families Head 65 Years and Over
Food	22.2	20.5	21.1
Shelter	29.2	18.3	20.5
Household Operation	5.5	4.4	4.7
Furnishings and Equipment	4.0	4.6	4.4
Clothing	5.6	5.9	6.0
Personal Care	2.0	1.8	1.8
Medical and Health Care	2.2	2.1	2.1
Smoking and Alcoholic Beverages	2.6	3.0	3.1
Travel and Transportation	7.5	16.0	13.5
Recreation	3.3	4.0	3.9
Reading	.9	.6	.7
Education	-	.2	.1
Miscellaneous	2.1	1.5	2.2
TOTAL CURRENT CONSUMPTION	87.2	82.9	84.1
Personal Taxes	5.0	9.2	8.3
Security	.5	1.8	1.6
Gifts and Contributions	7.3	6.1	5.9
TOTAL	100.0	100.0	100.0
Average Expenditure:			
Current	$5,043.3	$ 9,402.2	$7,912.1
Total	$5,784.6	$11,336.0	$9,403.6

SOURCE: Statistics Canada, *Family Expenditure in Canada, 1978*.

TABLE 24

PERCENTAGE OF PROVINCIAL POPULATIONS WHO ARE 65 AND OVER 1981 AND 1976

Province	Population	Percent of Canadian Total	Number 65 And Over	Percent of Canadian Elderly	1981 Percent of Population Over	1976 Percent of Provincial Over
NFLD.	567,681	1.9	43,699	2.3	7.7	6.5
P.E.I.	122,506	.6	14,754	.5	12.0	11.2
N.S.	847,442	4.0	92,550	3.5	10.9	9.7
N.B.	696,403	3.0	70,499	2.9	10.1	9.2
QUE.	6,438,403	24.3	564,956	26.4	10.1	7.7
ONT.	8,625,107	36.6	849,523	35.4	9.8	8.9
MAN.	1,026,241	5.2	121,027	4.2	11.8	10.4
SASK.	968,313	5.0	115,330	4.0	11.9	11.1
ALTA.	2,237,724	6.8	158,097	9.2	7.1	7.5
B.C.	2,744,467	12.4	288,267	11.3	10.5	9.8
YUKON	23,153	.03	689	.1	3.0	2.8
N.W.T.	45,741	.05	1,230	.2	2.7	2.8
TOTAL	24,343,181	100.0	2,320,177	100.0	9.5	8.7

SOURCE: Monthly Statistics, Income Security Programs, Health and Welfare Canada, June 1981 - Statistics Canada, Canada's Elderly, 1979, and the 1981 Census of Canada, Statistical Release No. 2.

TABLE 25

DISTRIBUTION BY AGE OF THE ELDERLY POPULATION

NOVA SCOTIA - 1981 (JUNE)

	Male		Female		Total	
Age	Number	Percent	Number	Percent	Number	Percent
65	3,222	8.1	3,606	6.9	6,828	7.4
66	3,068	7.7	3,655	7.0	6,723	7.3
67	3,189	8.0	3,551	6.8	6,740	7.3
68	3,091	7.7	3,346	6.4	6,437	7.0
69	2,737	6.3	3,135	6.0	5,872	6.4
65-69	15,307	38.3	17,293	33.3	32,600	35.5
70-74	11,451	28.7	13,007	25.1	24,458	26.6
75-79	6,757	16.9	9,562	18.4	16,319	17.8
80-84	3,777	9.5	6,375	12.3	10,152	11.1
85-89	1,830	4.6	3,787	7.3	5,617	6.1
90 +	820	2.1	1,878	3.6	2,698	2.9
TOTAL	39,942	100.0	51,902	100.0	91,844	100.0
Average Age:	73		74.4		73.8	

SOURCE: Statistics Section, Income Security Programs, Health and Welfare Canada, special tabulations.

TABLE 26

PERCENTAGE POPULATION 65 AND OVER
BY MARITAL STATUS AND SEX
NOVA SCOTIA 1981

	65-69	70-74	75-79	80 +	Total
Single					
Total	9.6	11.1	12.2	12.0	11.0
Male	10.9	11.7	12.2	11.7	11.5
Female	8.5	10.7	12.2	12.2	10.5
Married					
Total	67.7	58.2	45.9	27.2	53.3
Male	79.7	75.0	68.7	52.1	72.1
Female	57.1	43.4	29.4	13.7	38.7
Widowed					
Total	20.6	29.1	40.8	60.0	34.3
Male	7.1	11.6	17.7	35.3	14.7
Female	32.7	44.6	57.4	73.6	49.5
Divorced					
Total	2.0	1.6	1.2	0.6	1.5
Male	2.3	1.8	1.4	1.0	1.8
Female	1.8	1.4	0.9	0.4	1.2
Grand Totals					
Total	33,050	24,730	16,475	18,295	92,550
Male	15,545	11,580	6,890	6,475	40,490
Female	17,505	13,150	9,585	11,820	52,060

SOURCE: Statistics Canada: 1981 Census of Canada (Volume 1: National Series) Volume 1: Population - 100 Percent Data

TABLE 27

PERCENTAGE DISTRIBUTION BY PLACE OF RESIDENCE AND SEX
FOR THOSE 65 AND OVER
NOVA SCOTIA - 1981

	65-69	70-74	75-79	80 +	Total
Urban	54.1	55.3	55.1	56.1	55.0
100,000 and Over	20.4	21.0	19.9	19.2	20.2
30,000 - 99,999	5.1	4.8	4.6	4.7	4.9
10,000 - 29,999	13.3	13.7	13.1	12.7	13.3
5,000 - 9,999	6.9	7.2	7.5	7.5	7.2
Under 5,000	8.4	8.7	9.9	12.1	9.4
Rural	45.9	44.7	44.9	43.9	45.0
Non-Farm	44.0	43.2	43.4	42.3	43.3
Farm	1.9	1.5	1.6	1.6	1.7
TOTAL (100 Percent)	33,050	24,730	16,475	18,295	92,550

SOURCE: Statistics Canada: 1981 Census of Canada (Volume 1: National Series) Volume 1: Population - 100 Percent Data

TABLE 28

OCCUPIED PRIVATE DWELLINGS
BY MARITAL STATUS AND SEX
FOR THOSE 65 AND OVER BY TENURE
NOVA SCOTIA - 1976

Males	Own	Rent	Total
Single	1,775	450	2,255
Married	20,050	3,350	23,400
Widowed	2,860	615	3,475
Divorced	190	85	275
Total	24,875	4,500	29,375
Females			
Single	1,355	965	2,320
Married	595	300	895
Widowed	10,585	4,320	14,905
Divorced	120	115	235
Total	12,655	5,700	18,355
Total			
Single	3,130	1,415	4,545
Married	20,645	3,650	24,295
Widowed	13,445	4,935	18,380
Divorced	310	200	510
Total	37,530	10,300	47,730
	78.6%	21.4%	100.0%

SOURCE: Statistics Canada, Occupied Private Dwellings by Characteristics of the Private Household Head, 1976 Census of Canada.

TABLE 29

PERCENTAGES OF THOSE 65 AND OVER LIVING IN OCCUPIED PRIVATE DWELLINGS WHO OWN OR RENT SAID DWELLINGS BY MARITAL STATUS AND SEX

NOVA SCOTIA - 1976

Marital Status	Sex	Percent Owning	Percent Renting
Single	Male	79.8	20.2
	Female	58.4	41.6
	Total	68.9	31.1
Married	Male	85.7	14.3
	Female	66.5	34.5
	Total	85.0	15.0
Widowed	Male	82.3	17.7
	Female	71.0	29.0
	Total	73.2	26.8
Divorced	Male	69.1	30.9
	Female	51.1	48.9
	Total	60.8	39.2
Totals	Male	84.7	15.3
	Female	68.9	31.1
	Total	78.6	21.4

SOURCE: Statistics Canada, *Occupied Private Dwellings by Characteristics of the Private Household Head, 1976 Census of Canada*.

TABLE 30

HOUSEHOLD HEADS, 65 AND OVER BY SEX AND TENURE CANADA - 1976

	Owned	Rented	Number of Household Heads
All Household Heads	64.3	35.7	1,179,000
Male Heads	72.9	27.1	720,500
Female Heads	50.8	49.2	458,500

SOURCE: Statistics Canada, Canada's Elderly, 1979.

TABLE 31

PERCENT OF PRIVATE HOUSEHOLDS OCCUPYING APARTMENTS 1971 AND 1976

	All Households		Heads 65 And Over	
	1971	1976	1971	1976
Nova Scotia	18.8	15.4	14.3	13.8
Canada	28.0	28.8	27.6	31.3
Halifax	40.3	31.0	37.9	33.9

SOURCE: L.O. Stone and S. Fletcher, A Profile of Canada's Older Population, 1980.

TABLE 32

HOME OWNERSHIP AND INCOME FOR FAMILY UNITS WITH HEADS 65 YEARS OF AGE AND OVER

CANADA - 1977

	Proportion	Average Income 1976	Average Equity In Home
Unattached Individuals	100.0	$ 4,995	$14,915
Homeowners	46.8	5,231	31,839
With Mortgage	3.3	5,662	
Without Mortgage	43.5	5,198	
Non-Homeowners	53.2	4,787	
Families	100.0	11,875	27,764
Homeowners	76.9	12,601	36,087
With Mortgage	8.5	16,651	
Without Mortgage	68.4	12,095	
Non-Homeowners	23.1	9,451	
All Units	100.0	8,604	21,655
Homeowners	62.5	9,980	34,576
With Mortgage	6.1	13,797	
Without Mortgage	56.6	9,572	
Non-Homeowners	37.5	6,297	

SOURCE: Statistics Canada, Survey of Consumer Finances, 1977 and Expenditure Patterns And Income Adequacy for the Elderly, 1969 - 1976.

TABLE 33

NUMBER OF OAS PENSIONERS AND PERCENTAGE RECEIVING GIS AND MAXIMUM GIS

NOVA SCOTIA

DECEMBER, 1971 - 1981

Year	Total Number of Pensioners	Percent Receiving GIS	Percent Receiving Maximum GIS
1971	72,932	66.99	36.9
1972	74,064	68.67	35.9
1973	75,655	68.48	34.9
1974	77,166	67.45	33.9
1975	79,318	66.48	32.0
1976	81,146	66.78	30.1
1977	83,277	66.29	27.6
1978	85,779	65.40	25.9
1979	88,525	65.56	24.2
1980	91,188	66.56	22.2
1981	93,541	66.05	20.6

SOURCE: Monthly Statistics - Income Security Programs, Health and Welfare Canada.

TABLE 34

INCOME BY AGE

NOVA SCOTIA - 1979

Age	Number	Total Income*	Average Income
65	4,399	48,905	11,117
66	3,305	37,854	11,454
67	3,695	37,981	10,245
68	2,577	26,645	10,340
69	2,628	29,009	11,038
70	2,447	27,155	11,097
71-75	9,590	91,423	9,533
Over 75	8,891	89,944	10,116
TOTAL	37,532	388,916	10,362

*Thousands of Dollars

SOURCE: Revenue Canada Taxation, Taxation Statistics, 1981 Edition.

TABLE 35

GOVERNMENT ASSISTANCE PROGRAMS

NOVA SCOTIA

Program	Number of Benefits	Gross Payments($)	Average Monthly Benefit	Average Annual Benefit
OAS (3/82)	93,927	21,397,939	227.81	2,733.72
GIS (3/82)	62,080	10,184,799	164.06	1,968.72
Spouse's Allowance (3/82)	4,778	1,105,946	231.47	2,777.64
Medicade (1981)	91,000	19,726,742	-	216.78
Provincial Property Tax Rebate (1979)	21,000	2,200,000	-	104.76
Municipal Tax Rebate	10,634	969,180	-	91.14
Rental Assistance (1981)	4,000	1,900,000	39.58	475.00
Special Social Assistance (1980)	53,400	8,180,000	-	153.18
Public Housing (1981)	5,695*	3,000,000	-	-
Homes for Special Care		1,910,000	-	-

*Housing units for senior citizens (1981).

SOURCE: Department of Social Services, Province of Nova Scotia.

TABLE 36

DIETARY EVALUATION OF MALES AND FEMALES 65 YEARS OLD AND OVER [1] FROM NUTRITION CANADA NATIONAL SURVEY 1970 - 1972

	MALES			FEMALES		
	Inadequate	Less Than Adequate	Total	Inadequate	Less Than Adequate	Total
Protein	7.1	20.2	27.3	14.5	23.2	37.7
Iron	4.9	30.0	34.9	8.4	47.5	55.9
Calcium	9.9	22.4	32.3	20.0	27.8	47.8
Vitamin A	23.1	22.9	46.0	32.1	21.6	53.7
Vitamin C	4.0	12.8	16.8	1.9	11.2	13.1
Thiamin	10.7	29.9	40.6	14.5	38.3	52.8
Riboflavin	4.3	36.8	41.1	14.8	32.8	47.6
Niacin	1.6	7.2	8.8	4.7	14.1	18.8

SOURCE: Canada, Nutrition Canada - National Survey, *Report* to the Department of National Health and Welfare, (Ottawa, 1973), Pgs. 99 and 100.

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[1] Residents in provinces exclusive of reserve Indians and Eskimos in settlements.

TABLE 37

DIETARY EVALUATION OF YOUNG, MIDDLE-AGED, SENIOR FEMALES [1]

FROM NUTRITION CANADA NATIONAL SURVEY

1970 - 1972

	YOUNG (29-39 Yrs. Old)			MIDDLE-AGED (40-64 Yrs. Old)			SENIOR (65+ Yrs. Old)		
	Inadequate	Less Than Adequate	Total	Inadequate	Less Than Adequate	Total	Inadequate	Less Than Adequate	Total
Protein	9.2	8.8	18.0	11.1	15.9	27.0	14.5	23.2	37.7
Iron	37.7	38.4	76.1	30.7	36.1	66.8	8.4	47.5	55.9
Calcium	19.3	22.3	41.6	17.8	26.1	43.9	20.0	27.8	47.8
Vitamin A	24.4	22.4	40.8	29.6	25.2	54.8	32.1	21.6	53.7
Vitamin C	5.8	14.8	20.6	4.2	12.4	16.6	1.9	11.2	13.1
Thiamin	11.9	35.9	47.8	16.1	33.7	49.8	14.5	38.3	52.8
Riboflavin	8.8	33.0	41.8	11.6	36.9	48.5	14.8	32.8	47.6
Niacin	1.1	8.2	9.3	3.6	7.4	11.0	4.7	14.1	18.8

SOURCE: Canada, Nutrition Canada - National Survey, Report to the Department of National Health and Welfare, (Ottawa, 1973), Pgs. 90, 96 and 100.

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[1] Residents in provinces exclusive of reserve Indians and Eskimos in settlements.

ANALYSIS OF THE GUARANTEED INCOME SUPPLEMENT

In order to ascertain the projected relationship of the Guaranteed Income Supplement to retirement income, information for the period 1971-1981 was examined in detail. A program was prepared and the information was subjected to computer and other analyses.

Historically, for the period 1971-1981, the percent of Nova Scotia's OAS recipients who are in receipt of the maximum GIS has fallen from 36.9 percent to 20.6 percent. The percentage on partial GIS has risen from 30.1 percent to 45.4 percent. The combined effect of these two trends has resulted in a slight decrease in the percentage who are on the GIS from a high in 1972 of 68.7 percent to its level of 66.05 percent in 1981.

Theoretically, the cause of these trends should be the greater financial resources of new retirees. For example, as the CPP matures and the real value (i.e., adjusted for inflation) of retirement benefits increases, then fewer new pensioners would qualify for the maximum GIS benefits. Similarly, as the value of occupational pension plans - including Government Employee Pension Plan payments - increase, the proportion on the GIS (and on the maximum) should diminish.

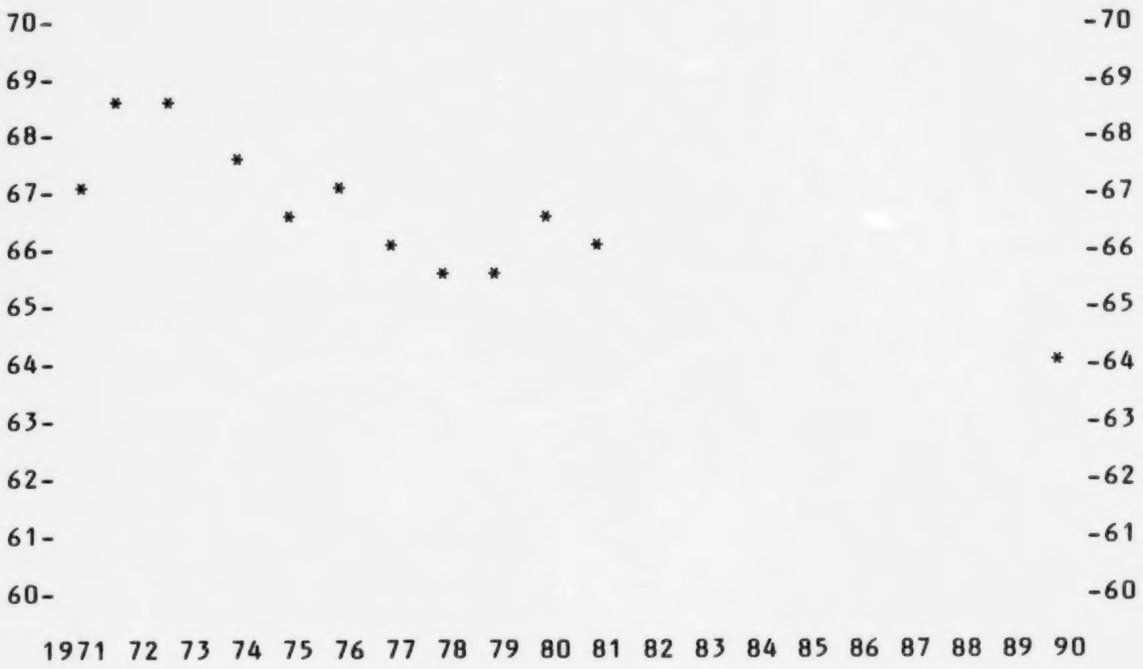
Statistically speaking, there are very strong relationships between each of the three measures of pension benefits and the percent of OAS pensioners who are on the maximum or partial GIS. A very significant positive relationship exists between the average value of real CPP retirement pensions and the proportion who are in receipt of the partial GIS. That is, as the value of the average real CPP retirement pension increases, so does the proportion on partial GIS. The value of CPP benefits are inversely related to the proportion who are in receipt of the maximum GIS. The value of occupational pension plan payments exhibit the same sort of relationships to the proportion on the maximum and partial GIS as the value of CPP benefits.

However, none of the three measures of pension benefits are significantly related to the proportion on the GIS. Although the value of pension benefits have increased markedly over time, the proportion on the GIS has remained relatively constant.

If this historical trend continues, by 1990 pensioners on the maximum GIS will have declined to between 5 and 7 percent, those on the partial GIS will have increased to 57-58 percent and those on the GIS will have declined to 62-65 percent.

These projections are based on linear regression analysis of the relationships between CPP and occupational pension payments and the proportions of OAS pensioners who are on the maximum, partial or marginally on the GIS for the period 1971-1981.

PERCENT OF OAS PENSIONERS ON GIS



There are many forces which have interacted to maintain the high proportion of OAS pensioners who are on the GIS. Some of these are:

1) The value of CPP retirement pensions are inadequate for persons in the lower income ranges, the majority of whom are without private pension income. The CPP provides only 25 percent replacement of pre-retirement income up to the YMPE. Single pensioners, (as of December 1982) can receive $5,951.99 in income excluding OAS/GIS and still qualify for some GIS assistance. Therefore, if they have no other income other than the CPP, their pre-retirement income could have been $16,500 (YMPE 1982) and they would receive the maximum CPP pension of $307.65 per month or $3,691.90 per year and still qualify for $1,017.24 per year in GIS.
2) Relatively few low income earners receive occupational pension payments. Revenue and Statistics Canada figures for 1979 indicate that only 39.8 percent of senior tax filers earning less than $10,000 reported any occupational pension income. For those in this income class who did report occupational pension income, the average was $2,252. In comparison, 91.5 percent of those earning in excess of $10,000 had some occupational

pension income with the average amount being $5,703.

3) Some people in receipt of occupational pensions may not qualify for the GIS when they first receive OAS but eventually they become entitled to benefits as inflation erodes the real value of their incomes. Just over 46 percent of the members of occupational pension plans in Nova Scotia have no provision for automatic escalation of pension benefits. Another 14.3 percent have a stipulation for a maximum of 4 percent escalation of pension benefits. In the private sector, 91.4 percent of plan members have no automatic escalation while only 20 percent of public sector members are without a guarantee of indexing.

4) When the elderly become widows, they may lose enough in occupational pension benefits because of the lack of survivor's benefits that they now qualify for GIS. Provisions for 50 percent survivors' pensions cover 63.4 percent of occupational pension plan members in Nova Scotia, but many of these are provided only at the option of the member upon retirement.

5) Employment income becomes a less important source of income as age increases. Those who work beyond the age of 65 eventually withdraw

from the work force and may then qualify for GIS benefits. The proportion of those 65 and over who participate in the labour force is also declining.

6) Investment income also declines with age as the elderly consume their capital and receive less interest and dividend income.

TABLE 38

PRIVATE PENSION RECIPIENTS AS A PROPORTION OF TAX FILERS 65 YEARS OF AGE AND OVER CANADA - 1979

Income Class	Number in Class Claiming Age Exemption	Number In Class Reporting Private Pension Income	Private Pension Recipients As a Percent Of Those 65 and Over	Average Pension $
Less than $4,000	458,409	66,973	14.6	1,033
$4,000 - 5,999	257,321	123,372	47.9	1,626
$6,000 - 7,999	204,004	128,422	63.0	2,527
$8,000 - 9,999	150,201	107,346	71.5	3,407
$10,000 - 14,999	210,668	177,339	84.2	4,505
$15,000 - 19,999	94,816	93,700	98.8	5,435
$20,000 - Over	134,668	131,841	97.9	7,506
TOTALS	1,525,138	828,993	54.4	3,930

SOURCE: Statistics Canada, Pension Plans in Canada, 1980 and Revenue Canada, Taxation, Taxation Statistics, 1981 Edition.

7) Real increases in the maximum income allowed for receipt of the GIS have increased the proportion of OAS pensioners who can qualify for the GIS.

The amount of other income (income other than Old Age Security Pension, Veterans' Pension and Workmen's Compensation) affects both the amount of Guaranteed Income Supplement that one may receive and the proportion of OAS pensioners who qualify for benefits. Over the years, the maximum amount of other income allowed has, naturally, been increased in order to keep pace with inflation (see Table 39).

In 1972, GIS benefits were fully scaled to the Consumer Price Index on an annual basis with quarterly adjustments beginning in October 1973. However, it appears that maximum allowable income has increased faster than the CPI.

In Table 40, the maximum incomes allowed for 1971 to 1981 have been recast in 1971 dollars in order to eliminate the effects of inflation. In most cases, there have been real increases in the amounts allowed. (In 1979 and 1980, there were lump sum increases which added greatly to the average rate of increase).

The maximum income allowed for single pensioners increased in real terms, at an annual average compound rate of 10.7 percent from 1971 to 1981. The only year it decreased was 1974-75.

The maximum allowed for married pensioners did not show any definite trend between 1973 and 1977. In April 1971, the "married" rate was introduced. Before that, a married couple received twice as much GIS benefits as a single pensioner. (They also had twice as much allowable income in 1971.) The benefit structure was changed so that a single pensioner would receive about two-thirds of that received by married pensioners. This change in benefits was reflected in the amounts of allowable other income for these couples. The average annual rate of change in the maximum allowable income for married pensioners from 1971 to 1981 was 7.9 percent.

The maximum allowed for a pensioner whose spouse is not a pensioner nor is in receipt of Spouse's Allowance, showed an average annual increase of 8.1 percent for the years 1971 to 1981. The amounts of income allowed are higher in this category than in the other married one, because an amount equal to one Old Age Security pension is included giving the couple an exemption equivalent to that of a two-pensioner couple. This allowance for OAS also affects the pattern of maximum incomes allowed in this category making it rise more steadily over the period from 1972 to 1981.

If a single pensioner has only $23.99 or less per annum of other income and a couple have only $47.99 or less per annum between them, then the maximum GIS benefit is paid to them. These amounts have not changed since the inception of the supplement. It is easy to see why the percentage of seniors on the maximum has decreased over the years - even the smallest pension from CPP or an occupational plan would bring the pensioner off the maximum.

At the same time, the percentage of people receiving partial GIS payments has increased. This is due in part, of course, to recipients dropping from the maximum rate to the partial. But why is it that people have not come off the GIS altogether? The real increase in maximum allowable income is probably a major contributing factor.

Looking at Table 44, it can be seen that average partial GIS benefits have decreased both in real terms and as a proportion of the maximum GIS. The decrease in average partial benefits might have been brought about by a combination of the following:

1) Those coming on the GIS are doing so at lower benefit amounts because they have more/higher sources of "other income".
2) Older recipients receiving benefits at higher percentages of the maximum are dying, leaving more people at lower benefit amounts.

It appears that increasing the maximum allowable incomes may be bringing a larger segment of the retired population onto the GIS. What is the rationale behind increasing the maximum allowable incomes? It does not raise the standard of living of those at or near the maximum GIS unless there is a concurrent real increase in GIS benefits. It only adds costs to the program by bringing on people who may not really need the extra income (a few dollars per month) but who can take advantage of provincial programs which are available to GIS recipients:

1) Special Social Assistance - available only to GIS recipients.

2) Property Tax Rebate - Recipients of GIS who are home owners are entitled to a 50 percent rebate of residential property taxes.

3) Rental Assistance - A couple in receipt of GIS or a single senior whose income is $9,800.00 or less may apply.

In conclusion, it seems that real increases in GIS maximum allowable incomes account, in part, for the increase of those on the partial GIS. The fact that there have been no increases in "other income" allowed in order to receive maximum benefits explains why the percentage on maximum GIS has declined. A very small amount of other income will bring a pensioner off the maximum.

TABLE 39

MAXIMUM OTHER INCOMES ALLOWED FOR GIS ELIGIBILITY

OCTOBER 1971 - 1981

(Unadjusted for Inflation)

Year	Single	Married, Both OAS Pensioners	Married, One OAS Pensioner
1971	$ 816.00	$1,632.00	$ 2,592.00
1972*	1,632.00	2,880.00	4,258.56
1973	1,775.99	3,167.99	4,814.99
1974	1,991.99	3,503.99	5,388.23
1975	2,183.99	3,887.99	5,919.35
1976	2,351.99	4,175.99	6,376.67
1977	2,543.99	4,511.99	6,893.15
1978	2,783.99	4,943.99	7,544.87
1979	3,527.99	5,903.99	9,204.23
1980	4,751.99	7,343.99	10,511.99
1981	5,351.99	8,255.99	13,364.87

*Full indexing to CPI began this year.

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

TABLE 40

MAXIMUM OTHER INCOME ALLOWED FOR GIS ELIGIBILITY

OCTOBER 1971 - 1981

(In 1971 Dollars)

Year	Single	Married, Both Pensioners	Married, One Pensioner
1971	$ 816.00	$1,632.00	$ 2,592.00
1972*	1,557.25	2,748.09	4,063.51
1973	1,575.86	2,810.99	4,272.39
1974	1,594.87	2,805.44	4,314.04
1975	1,578.03	2,809.24	4,276.99
1976	1,580.64	2,806.45	4,285.40
1977	1,583.07	2,807.71	4,289.45
1978	1,589.04	2,821.91	4,306.43
1979*	1,846.15	3,089.48	4,816.45
1980*	2,258.55	3,490.49	4,996.19
1981	2,261.09	3,487.96	5,646.33

*Lump sum increases to maximum allowed income.

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

TABLE 41

AVERAGE GIS BENEFITS

1971-72 TO 1980-81

NOVA SCOTIA

Year	Number Recipients	Annual Net Payments (000)	Average Annual	Average Annual (1971 Dollars)
1971-72	48,660	$27,585	$ 566.89	$560.17
1972-73	50,699	36,756	724.99	678.83
1973-74	51,814	38,121	735.73	635.35
1974-75	52,112	41,952	805.04	627.47
1975-76	52,839	46,629	882.47	625.87
1976-77	54,461	51,461	944.92	622.48
1977-78	55,513	54,437	980.62	596.85
1978-79	56,978	62,217	1,091.95	609.35
1979-80	58,375	75,642	1,295.79	661.46
1980-81	61,069	97,499	1,596.54	736.07

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

TABLE 42

AVERAGE YEARLY MAXIMUM GIS BENEFITS

1971 - 1981

	*Average Maximum Benefit		Adjusted Benefit (1971 Dollars)	
Year	Single	Married	Single	Married
1971	$ 595.83	$1,056.66	$ 595.83	$1,056.66
1972	805.44	1,430.88	768.55	1,365.34
1973	843.78	1,498.92	748.70	1,330.01
1974	943.14	1,675.20	755.12	1,341.23
1975	1,049.01	1,863.24	757.96	1,346.27
1976	1,146.30	2,035.80	770.36	1,368.15
1977	1,225.20	2,175.90	762.41	1,354.01
1978	1,335.39	2,371.56	762.21	1,353.63
1979	1,703.01	2,832.06	891.16	1,481.98
1980	2,078.22	3,314.76	987.75	1,575.46
1981	2,550.93	3,933.54	1,077.71	1,661.83

*Average of maximum paid in each quarter in each year.

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

TABLE 43

PROPORTIONS OF MAXIMUM GIS RECIPIENTS AT SINGLE OR MARRIED RATE AND WEIGHTED MAXIMUM GIS BENEFITS

1971-72 TO 1980-81

(1971 Dollars)

Year	Single	Married	Weighted Maximum GIS Benefits
1971-72	.667	.333	$ 573.35
1972-73	.785	.215	750.09
1973-74	.794	.206	731.46
1974-75	.674	.326	727.57
1975-76	.660	.340	729.12
1976-77	.659	.341	740.94
1977-78	.670	.330	734.23
1978-79	.678	.322	734.71
1979-80	.679	.321	842.96
1980-81	.751	.249	937.95
1981-82	.753	.247	1,016.75

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

TABLE 44

PROPORTION OF GIS RECIPIENTS IN RECEIPT OF PARTIAL OR MAXIMUM BENEFITS NOVA SCOTIA - 1971-72 TO 1980-81

(1971 Dollars)

Year	Partial	Maximum	Average Partial Benefits	Proportions Partial of Maximum Benefits
1971-72	.403	.597	$540.65	.943
1972-73	.451	.549	592.09	.789
1973-74	.482	.518	532.06	.727
1974-75	.492	.508	524.12	.720
1975-76	.502	.498	523.44	.718
1976-77	.523	.477	514.44	.694
1977-78	.556	.444	487.14	.664
1978-79	.588	.412	521.51	.710
1979-80	.612	.388	546.39	.648
1980-81	.635	.365	620.03	.661

Base information drawn from Health and Welfare, Canada - Monthly Statistics.

The preceding analysis of the percent of OAS recipients in Nova Scotia who are on the GIS indicates that little improvement can be expected unless governments initiate actions which will improve the financial position of those entering retirement in the future. The situation for all of Canada is not much better than it is in Nova Scotia. In 1971, 50 percent of Old Age Security pensioners were also receiving the Guaranteed Income Supplement. By 1981, the proportion on the GIS had risen slightly to 54.1 percent. Therefore, changes to the public and/or private pension system in Canada are necessary if future retirees are to be self-reliant and self-sufficient rather than dependent upon government assistance programs.

The Commission, believing that the results of this analysis were significant, submitted these findings to a consulting actuary who confirmed the Commission's findings.

The actuary worked out, as well, a number of quite plausible income scenarios which demonstrated how someone initially not eligible for GIS at retirement because of the existence of outside income would eventually become eligible for partial GIS, even though the outside income increased moderately. This is illustrated by the following table which indicates the extra monthly income required to eliminate eligibility for GIS.

TABLE 45

GIS ELIGIBILITY

		Maximum GIS Benefit		Extra Income Required to Eliminate GIS Eligibility	
Year	Maximum CPP Retirement Benefit	Single	Married Couple	Single	Married Couple
1971	$110.42	$ 55.00	$ 95.00	$ NIL	$ 79.58
1972	112.50	67.12	119.24	21.74	125.98
1973	114.58	73.86	131.20	33.14	147.82
1974	122.92	82.08	145.78	41.24	168.64
1975	136.11	90.68	161.06	45.25	186.01
1976	154.86	97.76	173.62	40.66	192.38
1977	173.61	105.51	187.38	37.41	201.15
1978	194.44	115.55	205.32	36.66	216.20
1979	218.06	146.97	244.40	75.88	270.74
1980	244.44	197.60	304.72	150.76	365.00
1981	274.31	222.62	343.28	170.93	412.25
1982	307.65	240.67*	371.10*	173.69*	*434.55

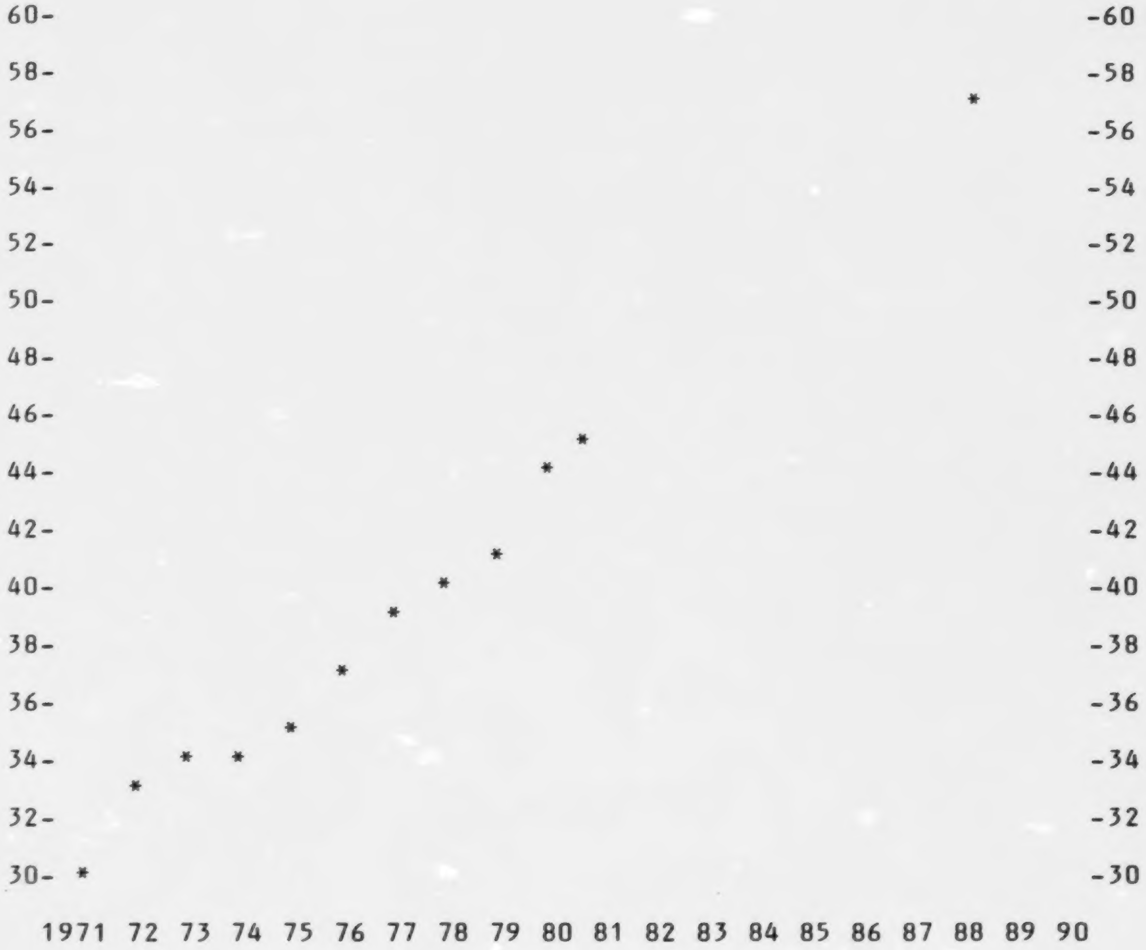
*3rd quarter 1982 figures

Thus, a couple who retired in 1971 with $250 of outside income would become eligible for GIS in 1979; even if their income increased by $10 per month, they would become eligible in 1980.

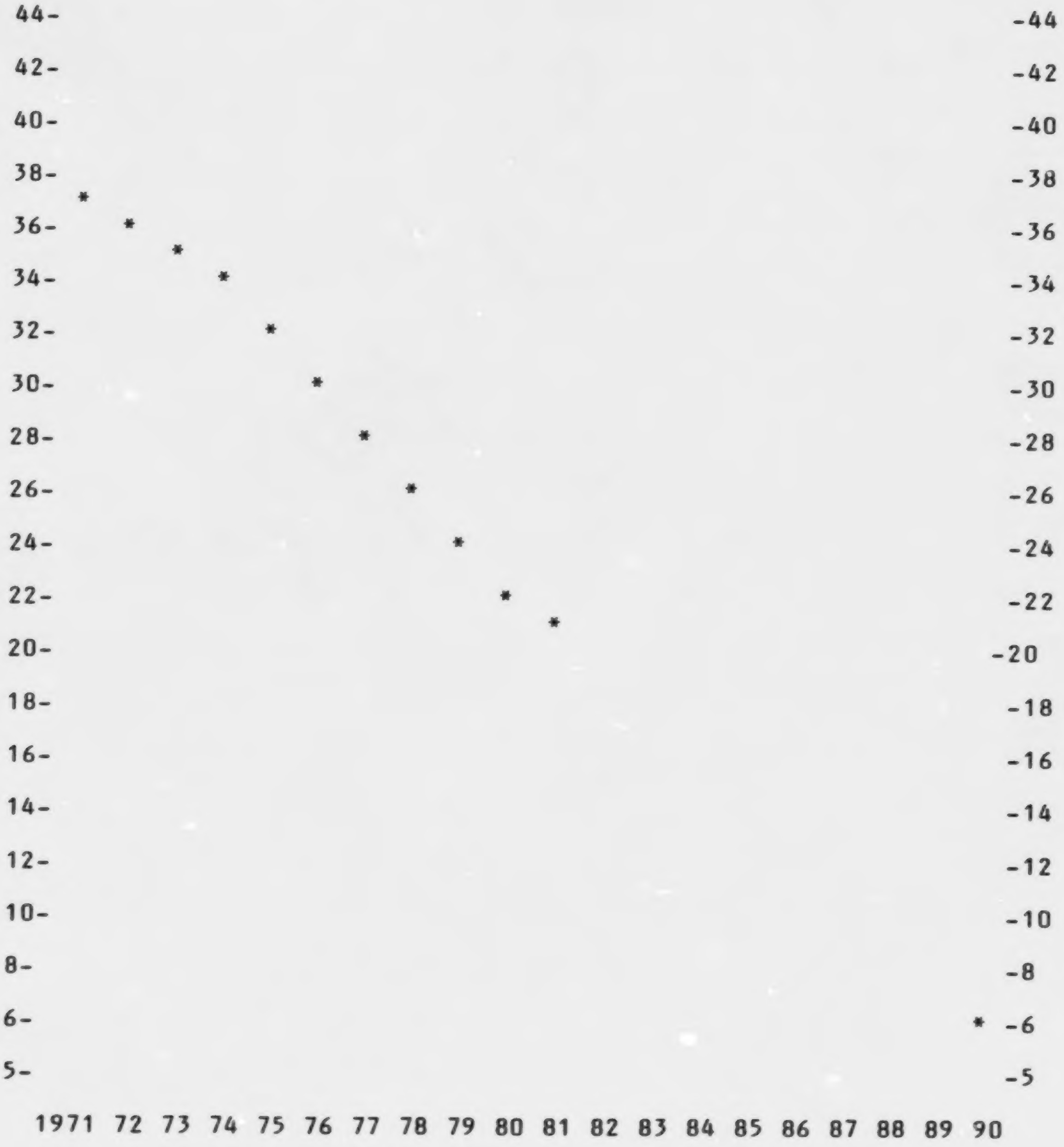
The situation is made even worse when patterns of mortality are considered, and combined with the fact that many occupational pensions are not payable with a survivor option. Husbands will die before their wives 75 percent of the time. A widow will survive her husband by around 8 years, while a widower will survive his wife by less than 3 years. Thus, many widows who did not receive the GIS when their husbands were alive will be eligible after his death. This will not apply to widowers. (This is written on the assumption that, among today's elderly, the recipient of an occupational pension is almost invariably the husband.)

Thus, it can be reasonably anticipated that there will be a steadily increasing proportion of "unattached" females in the pensioner section of the population. To the extent that there is no obligation upon occupational pension plans to provide an automatic survivor's benefit, it is believed that there will be little or no reduction in the proportion of pensioners in Nova Scotia eligible to receive the Guaranteed Income Supplement.

PERCENT OF OAS PENSIONERS ON PARTIAL GIS



PERCENT OF OAS PENSIONERS ON MAXIMUM GIS



OCCUPATIONAL PENSION PLANS

The occupational pension system is a necessary and important part of the retirement income system. Unfortunately, it does not provide the quantity and quality of benefits which are desired by many Canadians. As mentioned previously in this Report, the coverage of the labour force is only about 40 percent. Government incentives and legislation are necessary if improvements are to be expected in this area of concern.

While private plans do not cover many Canadian workers, even some of those plans which are provided lack some important and desirable characteristics. Submissions to the Commission have repeatedly expressed concern over such provisions as:

1) adequacy of income replacement;
2) eligibility for membership;
3) vesting of pension credits;
4) locking-in of contributions;
5) portability of pension credits;
6) survivors' benefits;
7) indexing of pension benefits;
8) disclosure of pension plan information to employees;
9) employee representation on pension fund committees;
10) disparities between public and private sector plans;

11) integration with the CPP;
12) splitting of pension credits upon divorce;
13) amount of employers' contributions to pension funds;
14) interest paid on employees' contributions upon termination; and
15) uniformity of pension legislation, among others.

A detailed analysis of private pension plans and relevant legislation is necessary for a proper diagnosis and treatment of the inadequacies of private pension plans in Nova Scotia and Canada.

In 1980, there were 4,475,429 members of occupational pension plans in Canada. Of these, 44 percent were employed in the public sector and 56 percent were employed in the private sector. Nova Scotia had 3.1 percent of the national membership or 137,747 members. They were distributed 63 percent and 37 percent in the public and private sectors, respectively. The preponderance of public sector members in Nova Scotia has a very significant effect on the various tests of the adequacy of occupational pensions in Nova Scotia. The public sector plans have many desirable features which are seldom in the private sector plans. It is therefore necessary, whenever appropriate and possible, to distinguish between public and private sector plans when examining the provisions of all occupational plans.

Of the 14,586 plans in Canada at the beginning of 1980, some 10,976 were contributory and these plans covered nearly 70 percent of all members. In Nova Scotia, 76.6 percent of the 1,448 plans with 80 percent of the membership were contributory. All but six of the plans in the public sector in Nova Scotia were contributory.

Three-quarters of the members in Nova Scotia were employed in the Public Administration/Defense (37.4 percent), Service (20.6 percent) and Manufacturing (16.8 percent) sectors.

There are several types of plans found in Nova Scotia but, basically, they are one of two types: defined benefit or defined contribution plans. Under the defined benefit method, the level of contributions is determined by the cost of the promised pension. Benefits are predetermined by a formula which usually takes into account the level of earnings and the years of participation in the plan.

By contrast, defined contribution plans have predetermined contributions (usually a fixed percentage of employee earnings, a fixed dollar amount or a specified number of cents per hour worked), the accumulated value of which is then used to purchase a retirement income vehicle upon retirement.

The majority of plans in Nova Scotia are defined benefit plans with the most popular being unit benefit plans. Under unit benefit plans, members earn a unit of pension, usually expressed as a percentage of earnings, for each year of credited service with the employer. About 71 percent of the plans, accounting for 81 percent of the membership, are of this type. Flat benefit plans account for 4.9 percent of all plans, having 10.6 percent of the membership. The most common defined contribution plans are the money purchase plans which represent 19.6 percent of all plans and 5.8 percent of the membership. The remaining 2 percent of the members are in profit sharing, composite or other types of plans.

In Canada, most plans use insurance companies as their funding agency. At the beginning of 1980, some 71.7 percent of the plans were funded with insurance companies. These plans tend to be relatively small and, as a result, accounted for only 13 percent of all plan members. Trusteed pension plans accounted for 26 percent of all plans and 67 percent of all members. Another 24 plans classified by Statistics Canada as government consolidated revenue funds covered 16 percent of the membership.

In Nova Scotia, there is a similar distribution by funding agency. Sixty percent of the 1,448 plans were funded with insurance companies which included 14 percent of the members. Trust arrangements were employed by 36 percent of all plans, accounting for 63 percent of the members. Three provincial government consolidated revenue funds covered 29,722 members or 22 percent of the total membership. These differ from many government consolidated revenue funds in that they have accumulated actual investments in other than securities of the plan sponsor.

TABLE 46

MEMBERSHIP IN CONTRIBUTORY AND NON-CONTRIBUTORY PLANS

PUBLIC AND PRIVATE SECTORS

NOVA SCOTIA - 1980

	Contributory		Non-Contributory		Total	
	Members	Percent	Members	Percent	Members	Percent
Public Sector	79,569	72.1	7,568	27.6	87,137	63.3
Private Sector	30,718	27.9	19,892	72.4	50,610	36.7
Both Sectors	110,287	100.0	27,460	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980 (a special publication).

TABLE 47

DISTRIBUTION BY TYPE OF PLAN

NOVA SCOTIA - 1980

	Plans		Members	
Type of Plan	Number	Percent	Number	Percent
Unit Benefit (Final Earnings Formula)	1,030	71.1	112,366	81.5
Money Purchase	284	19.6	7,999	5.8
Profit Sharing	19	1.3	247	.1
Flat Benefit	71	4.9	14,628	10.6
Composite	38	2.6	2,344	1.7
Other	6	.4	163	.1
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980 (a special publication).

Adequacy of Retirement Income

Adequacy of income in retirement was the principal concern expressed to the Commission. According to information from Statistics Canada, the average tax filer in Nova Scotia in 1979 who reported income from superannuation or pension showed this to be $3,676 (Table 34). It should be noted that these figures relate only to those with incomes high enough to warrant the filing of a tax return.

The Nova Scotia Teachers' Union, in a submission to the Commission under the section dealing with adequacy of pension income, made these observations:

> **"Discussions of pension adequacy tend to become confused through their relationship to the general problem of income distribution in society. If one believes that the salary and wage structure of society should be flat, then there is every reason to promote the concept of a flat retirement income. However, if the preference remains for a salary and wage structure that is stratified according to qualifications, responsibility, danger, etc., then there is little justification for reducing or removing stratification of retirement income.**
>
> **Adequate retirement income can be defined as the amount which enables an individual completing a full working career to continue, in retirement, the standard of living achieved by the end of that career. This definition cancels out the red herring of "need" which is often dragged into these discussions. It is no more a proper way to say that a pensioner is receiving more income than he needs than it is to say that a worker is receiving more income than he needs."**

The Commission believes that the point made by the Teachers' Union is a valid one. In its brief to the

Commission, the Nova Scotia Teachers' Union defined "adequate retirement income" as follows:

> **"Adequate retirement income can be defined as the amount which enables an individual completing a full working career to continue, in retirement, the standard of living achieved by the end of that career."**

Under existing conditions, through the payments of OAS, CPP and GIS, it is possible for those earning below the Average Industrial Wage (AIW) to receive pension income equal to 80 percent of gross earnings in the final year in the work force. The effect upon net or take-home income is even more pronounced. In some cases, initial post-retirement income can equal or exceed pre-retirement disposable income. This effect, of course, diminishes as base income rises.

From information examined by the Commission, it is apparent that those below the AIW will receive a higher portion of their retirement income from public sources, OAS, GIS, CPP, than do those above that figure because those in receipt of lower retirement income are usually those without private pension plan benefits.

The public record of payments under the Guaranteed Income Supplement supports the view that not enough Nova Scotians are receiving adequate retirement income from occupational pension plans.

Eligibility

Of the occupational plans in Nova Scotia, 85 percent (covering 82 percent of the members) have in place some condition for eligibility in terms of age and/or years of service. Other plans restrict membership to certain classes of employees such as union members, salaried employees, those classified as permanent employees or executives. Many plans exclude part-time workers even if they are employed on a continuing basis.

These restrictions limit both the number of people eligible for membership and the number of years of pensionable service which members can accumulate. Also, because members do not begin contributions immediately, there may be some friction when new members are required to make contributions some years after beginning employment. Therefore, it may be desirable to eliminate these types of restrictions through legislative reform.

Vesting, Locking-In and Portability

Before the era of occupational pension plans, some benevolent employers made cash awards to long term employees for "long and faithful service". These "ex gratia" payments were entirely at the whim of the employer and often were only paid to persons who had given 30, 40 or even 50 years of service in one plant or office.

As pension arrangements became more general and formalized, workers became aware of the functions of pension plans and pension funds. With this growing awareness, workers commenced to ask questions about employer contributions.

The more alert employees began to regard pension benefits as an extension of the compensation package.

As noted in the opening pages of this Report, the Commission looks upon contributions made by an employer to a pension fund to be funds held "in trust" for the purpose of providing pensions for retired employees.

If this thesis is accepted, then ways must be provided to have such contributions vested in the name of the employee even if the worker terminates employment with the pension sponsor.

Better options than those presently offered are needed. For these reasons, the Commission in its Interim Report has recommended the establishment of immured RRSP's to which terminating employees could transfer their pension credits - thereby assuring benefits at retirement age. In addition, some mechanism is required to hold and invest the accumulated pension credits of mobile employees as they transfer from one employer to another. A provision for the portability of pensions would ensure that employees reach retirement age with more than a token amount of occupational pension income.

Survivors' Benefits

An examination of survivors' benefits can readily be divided into two distinct parts; benefits provided before retirement and benefits provided after retirement.

At the beginning of 1980, in Nova Scotia, 7.2 percent of the members had occupational pension plans without survivors' benefits in the event of death before retirement. Slightly more than 70 percent of the members had provision for some type of widow's and/or orphan's pension, while the remaining 22.5 percent of the members had provisions for refunds of employee and/or vested employer contributions. In the public sector, 93 percent of the members are in plans with widows' pensions. Only 30.7 percent of the members in the private sector are in plans where widows' pensions are provided. The survey covers only benefits provided through pension plans. No examination was made of death benefits provided by other means.

In the case of death after retirement, 11.2 percent of the members had no survivors' benefits. Almost 50 percent of the members were covered by plans which provide for widow's and/or orphan's pension. Of these 67,887 members, 86 percent were in the public sector. The widow's pension was limited to 50 percent of the employee's pension for 87 percent of those with this provision. Another 25.5 percent of the membership were in plans where the survivor would receive pension payments for the balance of a guaranteed term. Of these 35,910 members, 51 percent had a guaranteed period of 5 years, while 33 percent had a guaranteed period of 10 years. (It is interesting to note that the average life expectancies for males and females at age 65 are 14 and 18 years, respectively. Therefore, on average, a provision for the continuance of pension payments to the survivor for the balance of a guaranteed period of 10 or less years will benefit very few widows or widowers and, at best, only provide benefits for a brief period of time.)

The preceding analysis suggests that there are several areas where improvements can be made in the provision of survivors' benefits. First, very few of the private sector membership plans have survivors' benefits. Second, the use of guaranteed term pensions as a means of providing for survivors appears to be quite inadequate. Finally, recent studies and reports indicate that one person requires 60 percent (or more) of the income of a couple in order to maintain the same standard of living. Therefore, survivors' pensions at 50 percent of the original pension are not enough to prevent a fall in the standard of living of the survivor.

Indexing

Most pension plans in Nova Scotia have no provision for automatic escalation of pension benefits after retirement. In fact, 96.9 percent of the plans in 1980 had no pension indexing. These plans covered 46.2 percent of the total membership. Of the 73,974 members who did have automatic indexing, 93 percent were employed in the public sector. This means that 80 percent of public sector members and 8.6 percent of private sector members had some provision for the indexing of pension benefits.

Without indexing, the purchasing power of a private pension is reduced by 38 percent in only 5 years and by 61 percent in 10 years, assuming an inflation rate of 10 percent per annum. While the prospect that inflation will continue unabated into the indefinite future is not appealing, at the same time, it would be unrealistic and unconscionable to just dismiss it, leaving those who are on fixed incomes to fend for themselves. It is for these reasons that the concept of excess interest indexing has been supported by many of the various interest groups involved in the pension debate.

Disclosure

The issue of disclosure of pension and pension fund information is one which many employees regard as an important part of the employer-employee relationship.

There appears to be some reluctance on the part of a number of employers to make pension plan information available to their employees. It may be that this attitude stems from the role the employer adopts as "sponsor" of the plan.

It could also be that the issue of unfunded liabilities in the plan are not readily comprehensible to those not well versed in pension planning and will continue to be as plan sponsors are reluctant to open their pension fund records to employees or employee representatives.

If the thesis that employer contributions to a pension plan are deemed to be a form of deferred wages, then it is reasonable to expect that an accounting of the management of such funds and the records of such funds should be more available to the employees or employee representatives.

Integration with the CPP

Integrated plans are those that provide a lower level of contributions and/or benefits on all or part of the year's maximum pensionable earnings (YMPE) under the Canada and Quebec Pension Plans (C/QPP) or that provide for pensions to be reduced by all or part of the C/QPP benefits.

The majority of pension plan members in Canada and Nova Scotia are in plans which are integrated with the C/QPP. For all of Canada, 41.4 percent of the plans covering 68.7 percent of the membership are integrated with the C/QPP. About 97 percent of the members in the public sector are in plans which are integrated with the C/QPP, while only 46.5 percent of private sector members are in integrated plans.

In Nova Scotia, 61 percent of the plans, having 78.6 percent of the members, are integrated with the CPP. As was the case nationally, most of the members of integrated plans are employed in the public sector for 88 percent of public sector members and 61 percent of private sector members are in integrated plans.

The method of integration varies considerably, but the most common method in use in Nova Scotia is the benefit step rate method. Just over 70 percent of all members, or 90 percent of those in integrated plans, are in plans using this method of integration.

> **"Under the benefit step rate method of integration, the private pension benefit formula is reduced on earnings up to the YMPE (or some figure close to it), while the full benefit formula is applicable to earnings in excess of the YMPE. Employee contributions to the private pension plan on earnings up to the YMPE are usually reduced proportionately to the reduction in benefits, or by the amount of CPP actual contributions".** [1]

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[1] "A Report to the Honourable Marc Lalonde, Minister of National Health and Welfare from the Canada Pension Plan Advisory Committee on Private Retirement Disability and Survivorship Plans." May 1976, Pg. 5.

There are 3 other methods of integration but these do not have widespread application. They are the ineligible earnings, contribution step rate and benefit offset methods which are used in plans covering .4 percent, .8 percent and 3.6 percent of the membership, respectively. Another 3.2 percent of the membership are in plans which utilize variations or combinations of the above methods.

Under the ineligible earnings approach,

> **"the contribution and benefit formula of the private pension plan remain the same, but the earnings base on which contributions and benefit rates are applied is reduced by all, or part of the YMPE. The end result is generally similar to the benefit step rate method".** [1]

The contribution step rate method,

> **"applies normally to the money purchase and profit-sharing types of private pension plans. Under this method, the employee and employer contributions to the private pension plan are reduced by the exact or approximate amount of the contributions required to be paid to the CPP. The private pension plan benefits purchased with the reduced contributions are cut back accordingly".** [2]

The foregoing methods are appropriate means of integrating occupational plans with the CPP for they maintain the equality of the cost/benefit relationship between occupational pension plan contributions and eventual pension payments. However, the benefit offset method is inappropriate for it does not maintain this same relationship.

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[1] Ibid., Pg. 6

[2] Ibid., Pg. 7

> **"Under this approach, the private pension plan contribution and benefit formulae remain the same but the amount of the private pension benefit is reduced by the total amount of the CPP pension benefit. In the most usual case, the private pension benefit is reduced at the time the CPP benefit is payable - future increases in the CPP benefit, due to increases in the Consumer Price Index, will not further reduce the private pension benefit.**
>
> **Where private plans are subject to benefit offset integration, attempts to provide more adequate total pensions by increasing the YMPE or the CPP benefit rate will be unsuccessful because the increase in CPP benefits will lead directly to a corresponding reduction in private pension benefits."** [1]

In Nova Scotia, there are 92 plans covering 4,995 workers which use the benefit offset method of integration. Steps should be taken to ensure that a more appropriate method of integration will be utilized with respect to these plans.

INTEGRATION WITH CPP

Only two public service unions and some pensioners objected to integration at hearings of this Commission. Some Commissioners have received many individual complaints from pensioners and pension plan members who soon will be pensioners. These complaints, in large measure, are caused because integration, which is now in force in a majority of defined benefit pension plans, was unilaterally applied to these plans by sponsors, including the federal and provincial governments. Many members believe the benefits they gave up are not commensurate with the contributions they saved.

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[1] Ibid., Pg. 7

As discussed in the preceding four pages, in most integrated pension plans, pensions are calculated by a formula involving the year's maximum pensionable earnings (YMPE) of the Canada Pension Plan. Both contributions and benefits are reduced for earnings up to the YMPE for members of the plan. The usual result is that for earnings below the YMPE, the pensioner will receive only 65 percent of the rate of pension he will receive on earnings above this amount. This applies only to benefits earned after 1965.

This calculation has resulted in a number of anomalies.

When pensions are paid, highly paid employees have received a much higher percentage of their salaries from the employer's pension plan than low or middle income employees. There is no standard result. While low paid employees may receive the smallest percentage from their pension plans, they may actually end up with more overall on a percentage basis after adding payments from Old Age Security, Canada Pension Plan and, perhaps, Guaranteed Income Supplement or Spousal Allowance. Most methods of integration guarantee that the sum of the occupational pension plus CPP will at least be equal to the pension from the occupational plan before the introduction of the CPP.

Integration also assumes implicitly that anyone receiving maximum benefits under the occupational pension plan will also receive them under the CPP. This is not necessarily the case. To receive maximum benefits under the CPP requires contributions from January 1, 1966, or age 18 if lower, to age 65 with a 15 percent drop-out period for years of low earnings. Thus, anyone under age 18 at January 1, 1966 will not receive maximum benefits unless he has contributed for 40 years (65 minus 18, less 15 percent). This may not be possible because of absences for education, illness, unemployment, raising children, home-making, early retirement, etc., etc. The typical public sector occupational plan grants maximum benefits after 35 years of service. Thus, it's quite conceivable that an employee entitled to maximum benefits under the occupational plan will not have maximum benefits under the CPP.

There is still another anomaly. In 1966, covered earnings (YMPE) under the CPP were set at $5,000 which was then approximately the average wage. Covered earnings were supposed to be at approximately the average wage. There was, however, to be no increase in the YMPE until 1968, and the increase was to be limited to 2 percent until 1976. (This is not as unwise as it appears as the average annual increase in wages in the 10 years ending in 1965 was 3.7 percent).

Wages began to increase very rapidly in 1965 and, as a result, before many years passed, the majority of Canadians were earning over the YMPE. As a result, the YMPE was increased substantially in 1974, and it was to continue to increase at 12.5 percent per annum until it equalled the average wage.

The following illustrates an example of an employee who earned $5,000 per year in 1966 and whose income has increased at the national average:

YEAR	YMPE	EARNING	DIFFERENCE	AS PERCENTAGE OF EARNING
1966	5,000	5,000	---	---
1967	5,000	5,337	337	6.3%
1968	5,100	5,707	607	10.6%
1969	5,200	6,118	918	15.0%
1970	5,300	6,583	1,283	19.5%
1971	5,400	7,147	1,747	24.4%
1972	5,500	7,748	2,248	29.0%
1973	5,600	8,331	2,731	32.8%
1974	6,600	9,247	2,647	28.6%
1975	7,400	10,558	3,158	29.9%
1976	8,300	11,841	3,541	29.9%
1977	9,300	12,979	3,679	28.3%
1978	10,400	13,778	3,378	24.5%
1979	11,700	14,972	3,272	21.8%
1980	13,100	16,481	3,381	20.5%
1981	14,700	18,448	3,748	20.3%
1982	16,500	20,293 est.	3,793	18.7%
1983	18,500	21,510 est.	3,010	14.0%

From this, it can be seen that contributions in some years have been based on earnings 30 percent over the YMPE but, for current retirements, pensions will be based on earnings about 20 percent over the YMPE. Once the YMPE equals the average wage, pensions under the occupational plan will only be based on earnings to the YMPE.

A similar situation holds if the employee has always earned (say) 120 percent of the average wage.

An employee thus perceives that he receives little in pension benefits for the extra contributions he made in the past. This, however, stems from a flaw in the design of the CPP, not the occupational plan.

While these are problems with which the Commission has sympathy, it has been unable to find a workable solution to them within the framework of occupational plans.

It has been suggested that integration should be forbidden, but the Commission cannot accept this without being prepared to make recommendations as to minimum pension levels. A two percent integrated plan provides better benefits in general than a one percent stacked plan. Further, many pension plans which are not explicitly integrated are implicitly integrated as the benefit level would be set higher were it not for the existence of the CPP.

It has also been suggested that any changes, such as integration, should not be imposed unilaterally, but only after discussion. However, the Commission is not prepared to recommend that one aspect of a pension plan be subject to negotiation, if the entire plan is not.

Some of the complaints have undoubtedly been caused by a lack of information and the Commission is confident that its recommendation on disclosure, if enacted, will eliminate most of these complaints.

The Commission believes that it is reasonable for occupational plan sponsors to take into account the existence of the CPP and OAS in setting benefit levels. While there are some methods of integration of which it does not approve, it believes that the principle is quite acceptable and, in particular, the method adopted in the provincial public service and teachers' plans is unobjectionable.

TABLE 48

PLANS BY CONDITIONS OF ELIGIBILITY

NOVA SCOTIA - 1980

Conditions of Eligibility	Plans Number	Plans Percent	Members Number	Members Percent
No Conditions	220	15.2	24,783	18.0
Years of Service	249	17.2	13,081	9.5
Minimum Age	44	3.0	32,207	23.4
Maximum Age	62	4.3	2,880	2.1
Years of Service and Minimum Age	235	16.2	8,335	6.1
Years of Service and Maximum Age	205	14.2	8,791	6.4
Years of Service Minimum/Maximum Age	327	22.6	11,680	8.5
Minimum and Maximum Age	53	3.7	18,112	13.1
Years of Service or Minimum Age	9	.6	67	.05
Years of Service or Minimum/Maximum Age	5	.3	23	.02
Other	25	1.7	17,604	12.8
Variable by Sex	9	.6	167	.1
Males Only	-	-	-	-
Females Only	5	.3	17	.01
TOTAL	1,448	100.0*	137,747	100.0*

*Figures may not add to 100 percent due to rounding.

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980 (a special publication).

TABLE 49

PLANS BY CLASS OF EMPLOYEES ELIGIBLE FOR MEMBERSHIP

NOVA SCOTIA - 1980

	Plans		Members	
Class of Employee Eligible	Number	Percent	Number	Percent
All Employees	940	64.9	114,870	83.4
Salaried	252	17.4	3,845	2.8
Hourly	30	2.1	3,323	2.4
Executive	28	1.9	156	.1
Supervisory	12	.8	76	.1
Combination	21	1.5	351	.3
Union Members	41	2.8	12,307	8.9
Other[1]	121	8.4	2,717	2.0
Variable by Sex[2]	3	.2	102	.1
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980 (a special publication).

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[1] The 121 plans in the "Other" category could not be allocated to any of the broad categories used in the classification system. Many of these plans restricted membership to such classes as non-teaching staffs, non-union employees, office staffs, key personnel and so on.

[2] Restrictions on membership based on sex, chiefly in industries which have predominantly male or female workers.

TABLE 50

VESTING ON TERMINATION OF EMPLOYMENT

NOVA SCOTIA - 1980

Basis for Vesting on Termination of Employment	Plans		Members	
	Number	Percent	Number	Percent
Immediate Vesting	81	5.6	1,492	1.1
10 Years or Less of Service or Participation	671	46.3	93,679	68.0
11 to 19 Years of Service or Participation	201	13.9	11,767	8.5
20 Years or More of Service or Participation	125	8.6	2,882	2.1
Service or Participation and/or Age	57	3.9	10,148	7.4
Age	3	.2	13	-
Other	31	2.1	4,144	3.0
No Vesting	279	19.3	13,622	9.9
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980, a special publication.

TABLE 51

VESTING ON TERMINATION OF EMPLOYMENT

BY PUBLIC AND PRIVATE SECTORS

NOVA SCOTIA - 1980

Basis for Vesting on Termination	Plans		Members	
	Number	Percent	Number	Percent
Public Sector				
Immediate and Full	6	6.4	363	.4
Years of Service	61	64.9	28,728	33.0
Years of Participation	15	16.0	49,357	56.6
Service and/or Age	2	2.1	2,732	3.1
Other	2	2.1	754	.9
No Vesting	8	8.5	5,203	6.0
Sub-Total	94	100.0	87,137	100.0
Private Sector				
Immediate and Full	75	5.5	1,129	2.2
Years of Service	710	52.4	21,346	42.2
Years of Participation	211	15.6	8,897	17.6
Age	3	.2	13	-
Service and/or Age	252	3.8	7,365	14.6
Participation and/or Age	3	.2	51	.1
Other	29	2.1	3,390	6.7
No Vesting	271	20.0	8,419	16.6
Sub-Total	1,354	100.0	50,610	100.0
Both Sectors				
Immediate and Full	81	5.6	1,492	1.1
Years of Service	771	53.2	50,074	36.4
Years of Participation	226	15.6	58,254	42.3
Age	3	.2	13	-
Service and/or Age	54	3.7	10,097	7.3
Participation and/or Age	3	.2	51	-
Other	31	2.1	4,144	3.0
No Vesting	279	19.3	13,622	9.9
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980, a special publication.

TABLE 52

MEMBERS OF PRIVATE PENSION PLANS
IN THE PUBLIC AND PRIVATE SECTORS
CONTRIBUTORY AND NON-CONTRIBUTORY
CANADA AND NOVA SCOTIA - 1980

	PUBLIC SECTOR		PRIVATE SECTOR	
	Plans	Members	Plans	Members
Canada				
Contributory	664	1,948,828	10,312	1,180,900
Non-Contributory	26	21,103	3,584	1,324,598
TOTAL	690	1,969,931	13,896	2,505,498
Nova Scotia				
Contributory	88	79,569	1,022	30,718
Non-Contributory	6	7,381	332	19,892
TOTAL	94	86,850	1,354	60,610

SOURCE: Statistics Canada, Pension Plans in Canada, 1980 and Pension Plans in Nova Scotia, 1980 (a special publication).

TABLE 53

DISTRIBUTION OF PRIVATE PENSION PLAN MEMBERS
BY INDUSTRIAL SECTOR
CANADA AND NOVA SCOTIA - 1980

	CANADA		NOVA SCOTIA	
Industrial Sector	Members	Members As A Percent Of The Total	Members	Members As A Percent Of The Total
Agriculture	1,137	.03	22	.02
Mines, Quarries, Oil Wells	113,505	2.5	5,369	3.9
Manufacturing[1]	1,137,222	25.4	23,198	3.9
Construction	303,062	6.8	4,409	3.2
Transportation and Communication	441,269	9.9	10,822	7.9
Trade	303,370	6.8	7,887	5.7
Finance, Insurance and Real Estate	219,527	4.9	6,141	4.5
Community Business and Personal Services	661,041	14.8	28,379	20.6
Public Administration[2]	1,295,296	28.9	51,520	37.4
TOTAL	4,475,429	100.0	137,747	100.0

NOTE: This information should be used with caution as there are a number of difficulties involved with classifying members by industrial sector.

SOURCE: Statistics Canada, Pension Plans in Canada, 1980 and Pension Plans in Nova Scotia, 1980 (a special publication).

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[1] Includes Forestry.

[2] Includes Defence.

TABLE 54

PRIVATE PENSION PLANS AND MEMBERS BY FUNDING AGENCY

CANADA AND NOVA SCOTIA - 1980

CANADA

Funding Agency	Plans	Percent Of Total	Members	Percent Of Total
Insurance Companies	10,467	71.8	591,058	13.2
Trust Arrangements	3,835	26.3	3,000,283	67.0
Canadian Government Annuities	53	.4	267	.01
Combinations	205	1.4	164,326	3.7
Government Consolidated Revenue Funds	24	.2	719,488	16.1
Other	2	.01	7	-
TOTALS	14,586	100.0	4,475,429	100.0

NOVA SCOTIA

Funding Agency	Plans	Percent Of Total	Members	Percent Of Total
Insurance Companies	876	60.5	19,417	14.1
Trust Arrangements	519	35.8	86,259	62.6
Canadian Government Annuities	6	.4	10	.01
Combinations	44	3.0	2,339	1.7
Government Consolidated Revenue Funds	3	.2	29,722	21.6
Other	-	-	-	-
TOTALS	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Canada, 1980 and Pension Plans in Nova Scotia, 1980 (a special publication).

TABLE 55

DEATH BENEFITS BEFORE RETIREMENT

PRIVATE PENSION PLANS

NOVA SCOTIA - 1980

Death Benefits Before Retirement	Plans		Members	
	Number	Percent	Number	Percent
No Benefits	176	12.2	9,952	7.2
Employee Contributions	561	38.7	16,137	11.7
Vested Employer Contributions	52	3.6	4,009	2.9
Employee Contributions and Vested Employer Contributions	405	28.0	10,895	7.9
Widows' and/or Orphans' Pensions	248	17.1	96,692	70.2
Other	6	.4	62	-
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980, a special publication.

TABLE 56

TYPE OF BENEFITS PROVIDED ON DEATH BEFORE RETIREMENT BY SECTOR NOVA SCOTIA - 1980

Type of Benefit	Plans		Members	
Public Sector	Number	Percent	Number	Percent
No Death Benefit	2	2.1	2,732	3.1
Refund of Employee Contributions	24	25.5	1,515	1.7
Refund of Vested Employer Contributions	-	-	-	-
Refund of Employee and Vested Employer Contributions	42	44.6	1,778	2.0
Widow's Pension	26	27.6	81,112	93.0
TOTAL	94	100.0	87,137	100.0
Private Sector				
No Death Benefits	174	12.8	7,220	14.2
Refund of Employee Contributions	534	39.4	14,612	28.8
Refund of Vested Employer Contributions	52	3.8	4,009	7.9
Refund of Employee and Vested Employer Contributions	363	26.8	9,117	18.0
Widow's Pension	222	16.3	15,580	30.7
Other	9	.6	72	.1
TOTAL	1,354	100.0	50,610	100.0

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980, a special publication.

TABLE 57

DEATH BENEFITS AFTER RETIREMENT

PRIVATE PENSION PLANS

NOVA SCOTIA - 1980

Death Benefits After Retirement	Plans		Members	
	Number	Percent	Number	Percent
No Benefits	180	12.4	15,375	11.2
Pension Payments for Balance of Guaranteed Period	1,000	69.1	35,190	25.5
Employee Contributions Less Pension Paid	56	3.9	15,911	11.6
Total Contributions Less Pension Paid	14	1.0	90	.1
Widow's and/or Orphan's Pension	170	11.7	67,887	49.3
Option Chosen	19	1.3	475	.3
Other	9	.6	2,819	2.0
TOTAL	1,448	100.0	137,747	100.0

SOURCE: Statistics Canada, *Pension Plans in Nova Scotia, 1980*, a special publication.

TABLE 58

TYPES OF BENEFIT PROVIDED ON DEATH AFTER RETIREMENT BY SECTOR - 1980

Types of Benefit	PUBLIC				PRIVATE			
	Plans		Members		Plans		Members	
	#	%	#	%	#	%	#	%
No Benefit	4	4.2	2,871	3.2	176	12.9	12,504	24.7
Guaranteed* Term in Months Less Than 36	1	1.0	17	-	4	.2	63	.1
36	-	-	-	-	4	.2	385	.7
37-59	-	-	-	-	1	-	24	-
60	20	21.2	1,068	1.2	516	38.1	16,765	33.1
61-99	1	1.0	421	.4	5	.3	311	.6
100	-	-	-	-	12	.8	65	.1
101-119	-	-	-	-	-	-	-	-
120	40	42.5	1,728	1.9	393	29.0	9,756	19.2
121-179	1	1.0	4,585	5.2	-	-	-	-
180	-	-	-	-	2	.1	2	-
Employee Contributions Less Pension Paid	2	2.1	15,013	17.2	54	3.9	898	1.7
Employee and Employer Contributions Less Pension Paid	-	-	-	-	14	1.0	90	.1
Widow's Pension	22	23.4	58,698	67.3	148	10.9	9,189	18.1
Option Chosen	-	-	-	-	19	1.4	475	.9
Other	3	3.1	2,736	3.1	6	.4	83	.1
TOTAL	94	100.0	87,137	100.0	1,354	100.0	50,610	100.0

*Pension Payments are continued to the survivor for the balance of a guaranteed term.

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980, a special publication.

TABLE 59

AUTOMATIC ESCALATION OF PENSION BENEFITS IN PRIVATE AND PUBLIC SECTOR PENSION PLANS NOVA SCOTIA - 1980

Provision for Escalation	Plans		Members	
	Number	Percent	Number	Percent
Public Sector				
No Provision	79	84.0	17,499	20.0
CPI with Maximum of:				
2.0 - 2.4 percent	2	2.1	532	.6
4.0 percent	1	1.0	15,000	17.2
Over 4.0 percent	10*	10.6	51,883	59.5
Wage Index	-	-	-	-
Other	2	2.1	2,223	2.5
Total	94	100.0	87,137	100.0
Private Sector				
No Provision	1,325	97.9	46,274	91.4
CPI with Maximum of:				
2.0 - 2.4 percent	5	.4	3,731	7.4
3.0 - 3.4 percent	10	.7	445	.9
4.0 percent	1	.1	2	-
Over 4.0 percent	4*	.3	57	.1
Wage Index	-	-	-	-
Other	9	.7	101	.2
Total	1,354	100.0	50,610	100.0

*These 14 plans include 11 plans with 34,887 members that have full CPI automatic escalation.

SOURCE: Statistics Canada, Pension Plans in Nova Scotia, 1980 (a special publication).

TABLE 60

INTEGRATION OF PENSION PLANS WITH THE CANADA AND QUEBEC PENSION PLANS

PUBLIC AND PRIVATE SECTORS

NOVA SCOTIA - 1980

Method of Integration[1]	PUBLIC				PRIVATE				TOTAL			
	Plans		Members		Plans		Members		Plans		Members	
	#	%	#	%	#	%	#	%	#	%	#	%
Not Integrated	45	47.9	10,124	11.6	520	38.4	19,285	38.1	565	39.0	29,409	21.4
Benefit Step Rate	33	35.1	74,237	85.2	506	37.4	23,065	45.6	539	37.2	97,302	70.6
Benefit Offset	1	1.1	1,802	2.1	91	6.7	3,193	6.3	92	6.4	4,995	3.6
Ineligible Earnings	-	-	-	-	27	2.0	533	1.1	27	1.9	533	.4
Contribution Step Rate	9	9.6	394	.5	75	5.5	735	1.5	84	5.8	1,129	.8
Other	6	6.4	580	.7	135	10.0	3,799	7.5	141	9.7	4,379	3.2
TOTAL	94	100.0	87,137	100.0	1,354	100.0	50,610	100.0	1,448	100.0	137,747	100.0

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[1] The benefit step-rate method provides for a greater level of benefits on earnings in excess of the YMPE. The benefit offset method provides for the pension payable under the private plan to be reduced by all or part of the CPP benefit. Under the ineligible earnings method, only earnings in excess of a specified amount (generally less than YMPE) are considered in calculating contributions and benefits. The contribution step-rate method provides for a lower level of employer contributions on the members' earnings below a specified amount (generally YMPE). The other category included plans which confined integration to employee contributions only, plans with a different benefit formula for different classes of employees and plans with some combination of benefit formulas.

From the foregoing, it can be ascertained that there are and will continue to be deficiencies in the retirement income system.

In light of this and supported by the testimony of many who appeared before the Commission, it is apparent that some action must be taken if governments still subscribe to the thesis that the State is responsible to assure the maintenance of the elderly, at least to the level of some predetermined standard of dignity and comfort.

The debate has been waged over a span of nearly 80 years as to how the State was to be involved in this undertaking and to what extent. Prime Ministers Laurier, King and Bennett are recorded as having been in favor of a contributory system of Old Age Pensions.[1]

The 1927 legislation provided for a cost sharing with the provinces of Old Age Pensions for those 70 years and over with a means test, with the federal portion to be financed through General Revenue. In 1951, the federal government assumed the full cost of Old Age Pensions and, in a gradual process, lowered the age of eligibility to 65 years in 1970.

The principle of financing public old age pensions on a contributory basis was introduced in Canada in 1951 when the Old Age Security Act was adopted. The Act provided for financing of universal Old Age Pensions at age 70 without the application of a means test. Financing was to be by the imposition of a 2 percent tax on taxable personal income with a limit of $60 a year; by a 2 percent tax on corporate income; and a 2 percent tax (a re-allocation of part of the existing Federal Sales Tax); and by loans from the consolidated fund.

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[1] Bryden - Queens University Press

In 1959, the tax for Old Age Security on federal taxable income was increased from 2 to 2.5 percent with an annual maximum of $75 for 1959, and to 3 percent with a maximum of $90 for 1960 and subsequent years - along with an increased tax on corporate income from 2 to 3 percent effective January 1, 1959 and increased portion of sales tax from 2 to 3 percent, effective April 10, 1959.

In 1963, it was deemed necessary to increase the tax on personal taxable income from 3 to 4 percent to a maximum of $120, effective January 1, 1964.

In 1967, (one year after the introduction of the Canada Pension Plan) the maximum Old Age Security tax on personal income was raised from $120 to $240 annually. The 3 percent tax on sales applicable to OAS was repealed effective January 1, 1972.

The Income Tax Act was amended in 1972 by repealing the 4 percent or $240 on personal taxable income applicable to the 1972 taxation year.

The introduction of the Canada Pension Plan on January 1, 1966 and the imposition of compulsory contributions to the OAS fund resulted in the collection of two separate contributions from those in the work force for the years 1966 to 1971 inclusive.

The Old Age Security pension is described by some writers as a "demogrant", taken to mean a gratuitous payment to a wide spectrum of the populace. The use of this description is questioned, especially in light of the fact that those who have attained the age of 65 in 1972 or succeeding years and were members of the work force for the preceding 20 years, made direct contributions to the Federal Treasury from which retirement benefits were to be paid.

It is correct to say that some now receiving the Old Age Security payment did not contribute to the social security plan but most of those now drawing such benefits, if part of the work force from 1951-1971, did contribute in large measure to a retirement allowance now known as the Old Age Security.

The contributory principle of retirement pensions as recommended to the Parliament of Canada (1950) as has been noted was maintained for a number of years and given further impetus with the adoption of the Canada Pension Plan 1965.

The introduction of the Guaranteed Income Supplement concept was made in the House of Commons on December 5, 1966 by the Hon. Allen MacEachen, Minister of National Health and Welfare who said,

> **"The Guaranteed Income Supplement is meant to meet the income requirements of a specific group of people; those who because of age cannot benefit or will benefit only in part from the Canada and Quebec Pension Plans. The need to meet such income requirements will diminish as those plans become fully operational.**

> I would also note the Canada and Quebec Pension Plans were devised with the $75 a month universal pension in mind. It would provide a basic retirement income to which contributory pension benefits would be added in the provision of a decent and adequate income level for persons when they retire.
>
> When the Canada and Quebec Pension Plans were introduced, the retirement benefits were set at levels which, when combined with those available under Old Age Security, were designed to provide a satisfactory retirement income for most Canadians. At low income levels, the combined benefits exceed previous earnings, while for those earning $5,000 or more a year, the monthly benefit will be $179. These combined benefits compare favourably with those available in other countries.
>
> The Canada and Quebec Pension Plans, of course, are of little benefit to those who, through no fault of their own, are unable to get any or complete coverage because of age. For this reason, we are bringing forward this Guaranteed Income Supplement."

From the foregoing, it can be seen that the GIS program was intended to be a bridging device so that those unable to accumulate benefits under the Canada Pension Plan would be provided with adequate retirement incomes. There is nothing in the full statement of the Minister as recorded in the House of Commons Debates under date of December 5, 1966 to indicate that the Guaranteed Income Supplement was to become a permanent feature of the retirement incomes of Canadians.

The introduction of the contributory Canada Pension Plan in 1966 moved the federal government in the direction as suggested by Laurier, King and Bennett. The continuation of the Old Age Pension and the introduction of the GIS does not negate the basic thesis that it is desirable that the provision of retirement income be based essentially on a contributory system.

Certainly, several questions emerge from the Commission studies. Can the nation afford to continue to provide retirement incomes for elderly Canadians through the Guaranteed Income Supplement? Is it desirable to do so in view of the obviously serious fiscal implications?

Since the inception of the Guaranteed Income Supplement in 1967 and the Spousal Allowance Program in 1975, nearly $15 billion dollars has been paid out. In the first full year of the 1962-65 program, the cost was just over $200 million. The cost had escalated to an annual figure of $2.449 billion in 1981.

Certainly the sponsors of the program in 1966 did not foresee the rapid rise in costs and did not anticipate the dominant role the supplementary programs were destined to play in the retirement income of Canadians.

Throughout the history of the development of the concept of Old Age Security, the principle of contributory public pensions has drawn considerable support. This philosophical position is the basis upon which Canada moved from a means-tested old age pension to a contributory system in 1951 and the introduction in 1966 of the contributory Canada/Quebec Pension Plans.

Kathleen Woodroofe of Sydney, Australia, writing in the Journal of Social History, Summer 1968 issue, recorded that the Poor Law of Great Britain, passed in 1601, provided that the State accepted responsibility for those who could not work or who were unable to find work.

> **"It was considered"**, she said, **"that those poor who, through accident or age, were no longer able to support themselves, had a definite claim to be protected by the state and helped by their more prosperous brethren".**

In the report, "Economic Security for the Aged in the United States and Canada", prepared in 1959 for the Minister of National Health and Welfare, by Robert M. Clark, the author devotes considerable space to clarification of the meaning of the term "a contributory pension on Old Age Insurance Program".

Mr. Clark observes that in a very broad sense, all pensions must be regarded as being contributory. Even in those cases where the employee contributes nothing directly, he avers that,

> **"to the extent that employee wages or benefits are lower than they would otherwise be because the employee has to pay the full cost of pensions in the first instance - to this extent, the employees are contributing to the cost of the program, whether they recognize it or not."**

Mr. Clark then quotes from the observation made by the Joint Committee of the Senate and House of Commons in its report on Old Age Security in 1950,

> "The Committee is in favour of the contributory principle not only because of the importance of this in raising total moneys required, but also because of the importance of establishing a close association in the mind of the individual between its contribution to the cost and the ultimate benefit to be received".

Mr. Clark continued by quoting Lord Beveridge as writing that the social insurance system envisaged by him was to be:

> "based on maintenance of the contributory principle, that is to say, of the principle that a material part of the total cost of maintaining income under the plan should be met from monies contributed by citizens as insured persons, on the basis of each individual paying the same contribution for the same kind of benefit".

Finally arriving at a definition of a contributory government pension program, Mr. Clark set it out as follows:

> "A government pension program is contributory if the pension is only available to persons or their dependents who have paid identifiable contributions either of a specified amount or at a rate or rates on covered insurance.
>
> A contributory government pension program commonly has two additional characteristics, namely that receipt of pension benefits is conditional upon a specified minimum contribution record, and the relationship of pension benefits to contributions is positive and sufficiently marked to justify the cost of maintaining records of individual contributions".

On April 11, 1907, Senator Donald Ferguson speaking in the Senate on the Bill to approve a system of government annuities said,

> "I am not wedded to any particular plan of provision for old age,...but it does seem to me that it would be necessary that all wage earners should be required to contribute, let it be even so little. Only in that way can we bring under the operation of the law a large number of people, who, if left to themselves, would neglect to make the small contribution required".

All provinces of Canada have initiated and operated programs whereby workers are covered against injury or death due to industrial accidents known as Workers' Compensation Plans. Most have been in operation for 60 or more years. All are based on an assessment of payrolls with no direct contribution by the workers.

These plans are based on the insurance principle with more hazardous occupations being assessed at higher rates. It is noted that Workers' Compensation Plans appear to be the first measure of social legislation introduced in the developing countries as indeed were most of the plans now in force in the more industrially advanced countries.[1]

Using the same argument advanced by Robert Clarke (whose view is echoed in the official submission of the Canada Labour Congress), it must be accepted that the assessments levied on payrolls for Workers' Compensation subscriptions are part of the cost of hiring labour, hence, can be deemed to be a reduction in the pay-packet of the covered workers.

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[1] Social Security Programs Throughout the World - 1979 - vis Department of Health and Human Services - Research Report No. 54.

It should be noted that Workers' Compensation Plans in the various provinces are fully funded plans and together they had an estimated $1.5 billion as balances in the Workers' Compensation accounts as of December 1977.

The Canada Year Book - 1980-1981 states (page 309),

> **"Between 1971 and 1979, there was more than a fivefold increase in expenditures on income insurance programs with a per capita increase from $58 to $299. Considering all expenditures on social security, income insurance programs increased from 12.2 percent in 1971 to almost 20 percent in 1978-1979. Since these programs are largely funded, these figures reflect the cushioning effect which income insurance programs have on the heavy drain on current government revenues from increased income maintenance expenditures during periods of recession".**

The Government of Canada, with the consent of the provinces, in 1941, introduced a program of unemployment insurance. While it is presumed to be based on an insurance principle with workers and employers contributing to the fund, it departs from that principle when it fails to give due consideration to the higher risks of unemployment in certain trades and occupations. A long term employee of a stable business pays at the same rate as a seasonal worker, as do employers.

The federal government must supplement, from the consolidated revenue fund, the budget of the unemployment insurance agency. Therefore, one can conclude that the unemployment insurance scheme is not a social insurance scheme based on contributions, but rather a combination of that with a general appropriation from consolidated revenues.

Hospital insurance and medical care programs initiated in most provinces as a result of the passing of the Hospital Insurance and Diagnostic Services Act in 1958, are financed by the General Revenues of Canada and, excepting for Ontario, Quebec, Alberta and British Columbia, the provincial portion of these costs are financed through general revenues or ear-marked sales taxes.

A condition of the federal participation in the hospital insurance and medical care programs is that the services must be universally available to all eligible residents and cover at least 95 percent of the total eligible provincial population.

The Provinces of Ontario, Alberta and British Columbia containing 13,607,298 people or 55.9 percent of the population of Canada have introduced and maintained such health care plans with the provincial share being financed by systems of insurance premiums.

The Province of Quebec levies a payroll tax to finance its portion of the Health Insurance Program. As noted, Robert Clark in his 1959 report to the Minister of National Health and Welfare drew the conclusion that a payroll tax is tantamount to a direct contribution by the worker. A recently released Ontario discussion paper suggests that Ontario may change to a payroll tax to finance its Health Insurance Program.

When these programs were first proposed, Nova Scotia considered the introduction of an insurance premium financed plan but opted in favour of financing through the imposition of the Hospital Services Tax being a sales tax on most consumer goods excluding food, drugs and clothing.

The reason given for this decision was that Nova Scotia did not have enough stable wage producing jobs to support a plan based on premiums.

It is evident from the foregoing that the majority of Canadians are participating in health maintenance programs based on the insurance principle.

The unemployment insurance scheme and the joint Federal-Provincial Medical Care and Hospital Services scheme are principally contributory programs. The provision of retirement income for most Canadians, unless significant changes are introduced, will continue to be essentially part of the social welfare system.

With the Old Age Security payments and the income-tested Guaranteed Income Supplement/Spousal Allowances continuing to form the bulk of the retirement income of most retired Nova Scotians, it is apparent that tax revenues will have to be directed to the maintenance of the needy elderly.

Until such time as the retirement income system can be improved to the point where all Canadians can be assured of an adequate income in retirement through an expansion of pension plans, the supplementary programs must remain in place.

The retirement income system applicable to Nova Scotians affects two distinct groups of people. First, those now out of the work force and in receipt of Old Age Pensions and other retirement income; second, those now working and contributing to public and occupational pension plans.

To those now in retirement and depending solely upon the Old Age Pension and the GIS, an immediate increase in the GIS is necessary if the recipients are to enjoy a standard of living that is above the poverty line.

The Commission recommends that:

3 - **THE GOVERNMENT OF NOVA SCOTIA REQUEST THE GOVERNMENT OF CANADA TO ADJUST THE PAYMENTS MADE THROUGH THE GUARANTEED INCOME SUPPLEMENTS AND SPOUSAL ALLOWANCES TO BRING THEM UP AT LEAST TO THE SO-CALLED POVERTY LINE AS DETERMINED BY STATISTICS CANADA.**

With the development of government programs for the provision of retirement income through cash payments and other services, there continues to be an area for which the individual should be responsible. Those who have worked for most of their productive years should be able to reserve sufficient income given the mechanisms and encouragement to do so.

No major departure from the present system is contemplated or advocated, but the first step is to take immediate corrective measures

With the vast majority of Nova Scotia's elderly relying on government programs for the bulk of their retirement income, it early became apparent that these must be maintained in place and protected against inflation by being indexed to the Consumer Price Index. The purchasing power of supplementary benefits (Medicare, property tax rebates, etc.) must be maintained by periodic adjustments.

The Commission recommends that:

4 - **THE GOVERNMENT OF CANADA AND NOVA SCOTIA CONTINUE WITH THE PRESENT PROGRAM DESIGNED TO PRODUCE A GUARANTEED MINIMUM LEVEL OF INCOME TO ALL 65 YEARS OF AGE AND OVER IN AMOUNTS SUFFICIENT TO ENABLE THEM TO REMAIN IN THE MAINSTREAM OF SOCIETY IN DIGNITY AND COMFORT.**

THE PROVINCE OF NOVA SCOTIA SHOULD USE ITS NEGOTIATING POWER WITH THE FEDERAL GOVERNMENT TO ASSURE THAT THE BASIC OLD AGE SECURITY PAYMENTS AND THE GUARANTEED INCOME SUPPLEMENT ARE INDEXED TO THE CONSUMER PRICE INDEX TO PROTECT THE ELDERLY FROM THE CONSEQUENCES OF INFLATION.

THE GOVERNMENT OF NOVA SCOTIA SHOULD OPPOSE ANY GENERAL INCREASE IN THE OLD AGE SECURITY PENSION, WHICH IS PROVIDED TO ALL 65 YEARS AND OVER WITHOUT REGARD FOR NEED; ON THE GROUNDS THAT APART FROM INDEXING, ANY GENERAL INCREASE WILL CONFER MORE BENEFITS ON MANY WHO ARE RECEIVING HIGH INCOMES FROM OTHER SOURCES. IF GOVERNMENTS ARE DISPOSED TO ASSIST THE LOWER INCOME ELDERLY, THE BEST VEHICLE WILL BE THE GUARANTEED INCOME SUPPLEMENT.

The Commission endorses the recommendation advanced by the Royal Commission on the Status of Pension in Ontario. That Commission noted in it's Report (Page 16, Volume X - Summary Report,"A Plan for the Future"):

> **"The income guaranteed to a single person with little or no other retirement income was inadequate, while the income guaranteed to a married couple was adequate".**

The Haley Commission concluded that as of January 1, 1980,

> **"The minimum adequate level of retirement income should be $5,368 yearly for a single person age 65 and $9,201 for a married couple both 65".**

Note: The Haley Commission arrived at its "minimum adequate level of retirement income" as indicated above after considering and comparing the following:

1. The amounts suggested in submissions to the Commission by a number of public interest groups.
2. Published "poverty" lines (Canadian Council on Social Development, Senate Committee, Statistics Canada).
3. Current Government Programs (OAS, GIS and GAINS).
4. Results from a survey of senior citizens ("Consumer Survey") carried out for the Commission.
5. Formula based upon the minimum hourly wage.

In determining its recommended adequacy levels, the Ontario Commission used that level of income received by a couple both 65 and over whose pre-retirement income had been at the minimum wage. An Ontario couple in 1979 received $8,403 from government programs. The level for a single person was determined to be 58 percent of that for a couple, $4,902. The adequate levels for January 1, 1980 were determined by applying the rise in the CPI over 1979 (9.5 percent). The resulting amounts were $9,201 (couple) and $5,368 (single).

The Commission considered the use of the minimum wage level plus an adjustment fo increases in the CPI. The resulting figures for January 1, 1979 were calculated as follows:
$3 (minimum wage) X 2,080 hours X 52 weeks = $6,240.

A couple's level is calculated by doubling the above figure and taking 70 percent. The result is $8,736.00. A single person's level is determined to be 58 percent of the couple's, or $5,096.00.

Although the Haley Commission commended the use of the minimum wage formula, it reverted to the figures it chose based on the level of government benefits paid to a couple during 1979 whose pre-retirement income in 1978 was at the minimum wage.

Therefore, the Commission recommends that:

5 - A WELL DEFINED STANDARD SHOULD BE ADOPTED TO DETERMINE THE ADEQUACY OF INCOME LEVELS FROM ALL GOVERNMENT INCOME PROGRAMS. THE STANDARD SUITABLE FOR DETERMINING THE ADEQUACY OF LEVELS OF INCOME SHOULD APPLY TO ALL TYPES OF BENEFICIARIES AND SHOULD REFLECT THE PREVAILING ECONOMIC CONDITIONS IN NOVA SCOTIA.

ADEQUACY OF INCOME SHOULD BE ASSESSED IN TERMS OF "AVAILABLE INCOME"; THIS IS AFTER TAX DOLLARS PLUS THE VALUE OF OTHER ADDITIONAL BENEFITS. "AVAILABLE INCOME" IN RETIREMENT IS THE TOTAL INCOME DOLLARS RECEIVED FROM ALL GOVERNMENT PROGRAMS LESS INCOME TAX (IF ANY) CALCULATED USING AGE 65 EXEMPTIONS AND OTHER APPLICABLE EXEMPTIONS AND DEDUCTIONS.

IN SETTING A MINIMUM LEVEL FOR ADEQUATE INCOME, THE PRINCIPLE SHOULD BE ENDORSED AND IMPLEMENTED THAT A SINGLE PERSON AGE 65 AND OVER NEEDS AN AMOUNT WHICH IS AT LEAST 60 PERCENT OF THE TOTAL NEEDED BY A COUPLE BOTH 65.

To establish an enduring yardstick or standard measure for determining a basic minimum standard of income in retirement, that recommended by the Haley Commission appears to meet all tests of adequacy. Having due regard for the economy of Nova Scotia, the Commission recommends that:

6 - THE GOVERNMENT OF NOVA SCOTIA SHOULD CONSIDER THE ADOPTING OF A STANDARD OF ADEQUACY IN THE LEVEL OF INCOME PROVIDED BY GOVERNMENT PROGRAMS. IT IS SUGGESTED THAT THIS BE BASED ON 70 PERCENT OF TWICE THE CURRENT FEDERAL MINIMUM WAGE FOR A COUPLE BOTH 65; FOR A SINGLE PERSON, 60 PERCENT OF THAT AMOUNT. SUCH AMOUNTS TO BE CONSIDERED TO BE "AVAILABLE INCOME".

Note: If applied to 1983 figures, the amounts would be, based on the current federal minimum wage of $3.50 per hour, as follows:

$3.50 X 40 X 52 = $7,280 annually;

70 Percent of $7,250 X 2 = $10,192 for a couple;

60 Percent of $10,192 = $6,115.20 for a single person.

The Commission recommends that:

7 - **THE LEVEL SO ESTABLISHED AS ADEQUATE AS DETERMINED FROM TIME TO TIME BY THE APPLICATION OF THIS FORMULA BE ADJUSTED ON AN ANNUAL BASIS TO REFLECT CHANGES IN THE CONSUMER PRICE INDEX FOR PERIODS WHERE THE FEDERAL MINIMUM WAGE IS NOT REVISED.**

OPTIONS FOR IMPROVING RETIREMENT INCOMES

From the Commission studies and analyses, it is apparent that there will be continued reliance on the GIS by many of those retiring in the future unless there are improvements in the pension system. These improvements in retirement income can be effected by:

A. Mandating private pension plan coverage.

B. A program of encouragement through tax incentives, etc., to the effect that pensions will be improved on a voluntary basis.

C. Revision of the law regulating pensions including mandatory provision for many desirable features in private plans.

D. Improvements brought about through employee or market pressures.

E. Expansion of the Canada Pension Plan.

The following is an examination of each of the above options:

OPTION 'A'

MANDATING OF PRIVATE PENSION PLAN COVERAGE

Private pension plan coverage has increased from 34.1 percent of the total labour force in 1970 to 39.7 percent in 1980.

This coverage includes government employees at all levels including the Armed Forces[1]. All too often, the failures to attain a higher degree of coverage is attributed to the so-called "pension industry". From what the Commission has been able to ascertain through interviews, surveys, etc., the lack of significant growth in pension coverage must be attributed to the reluctance of both employers and employees. There is no reason why lower paid employees would seek to have their take-home pay reduced by reason of contributions to a pension fund when equal benefits will ultimately be obtained through the Guaranteed Income Supplement. A number of cases were cited where employees asked to have a company plan discontinued when the Canada Pension Plan was introduced.

During the conducting of a series of interviews of Nova Scotia pensioners, Commission interviewers were informed, in a number of cases, that the pensioner regretted saving for retirement income because those who did not were able to secure matching income from the government through the GIS without contributing thereto and, furthermore, such gratuitous income was tax free!

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[1] Pension Plans in Canada 1980 - Statistics Canada

Some of the pensioners expressed resentment that they had denied themselves current consumption to earn a small private pension when the same income could have been available through the tax-free Guaranteed Income Supplement.

One official of the federal government informed the Chairman of the Commission that he and other officials of his department were aware of the fact that some financial advisors in the private sector were counselling pre-retirees to dispose of some retirement income assets in order to qualify for the Federal Government's Guaranteed Income Supplement!

In response to a mail survey of the manufacturing sector of Nova Scotia conducted by the Commission, many companies alleged that they could not afford to introduce an occupational pension plan. In a number of cases, the financial burden on the sponsor of providing the funds required to cover the costs of past services of long term employees was cited as being a major obstacle in the introduction of an occupational pension plan.

Another reason advanced to justify the failure to introduce such a plan was the internal costs of establishing and supervising the occupational pension plan. This was a major factor advanced as a reason for the non-introduction of occupational plans in the manufacturing sector where the vast majority of the companies had 20 or less employees.

The service industry including wholesale and retail supply outlets, automotive services, transportation, communications, utilities, finance, insurance and real estate employed more than 200,000 persons in Nova Scotia in 1981, with only about 30 percent covered by occupational pension plans and most of the non-covered being in the employ of small businesses. It is not difficult to understand the reluctance to introduce occupational pension plans and the figures in the Federal Green Paper support the fact that there has been very little expansion in the occupational pension plans in Canada in recent years.

The present economic climate is not favourable to the introduction of mandatory occupational pension coverage, especially if companies were to be required to contribute to the plan the monies needed to cover benefits credited for services prior to the introduction of the plan. To introduce such a plan would substantially increase the employer's cost of labour even when allowing for integration with the Canada Pension Plan.

In view of the negative response of the mail survey, and the other reasons advanced for failure to initiate occupational pension plans, the Commission did not regard mandatory occupational plan coverage as a viable option.

OPTION 'B'

ENCOURAGING IMPROVEMENTS IN PRIVATE PLANS THROUGH TAX INCENTIVES, ETC.

The study of pension matters and submissions to the Commission indicates that some believe that there will be substantial increase in the coverage of workers if encouragement can be effected through tax incentives and other associated devices.

It was argued, for example, that a small company with low profits would not get the same tax benefit from contributions to a pension plan as would a larger company paying substantial corporation taxes. It was suggested that both corporation and individuals be given tax credits instead of reduction in taxable income and if such credits are not used in the current year, it should be possible to carry them forward to subsequent years.

It is doubtful if governments would regard favourably any suggestions that would result in the reduction of taxable income, especially in the present circumstances, although in the long-term, any increase in pension plan coverage would result in decreased government spending through the means-tested GIS.

To afford more equitable treatment to small business concerns in their efforts to provide private pension plan coverage to their employees, the Commission recommends that:

8 - **THE GOVERNMENT OF NOVA SCOTIA SUGGEST TO THE GOVERNMENT OF CANADA THAT EMPLOYER AND EMPLOYEE CONTRIBUTIONS TO REGISTERED PENSION PLANS UP TO ALLOWABLE MAXIMUMS BE ENCOURAGED BY THE GRANTING OF TAX CREDITS RATHER THAN BY THE ALLOWANCE OF**

REDUCTION IN TAXABLE INCOMES AS AT PRESENT.

OPTION 'C'
REVISION OF PENSION REGULATORY LEGISLATION INCLUDING MANDATORY PROVISION OF MANY DESIRABLE FEATURES IN PRIVATE PLANS

Mentioned quite frequently in submissions to the Commission were what was regarded to be of importance to those now covered by private pension plans including:

- earlier vesting
- improved portability mechanisms
- better survivors' benefits
- preservation of the real value of pensions
- disclosure of plan information to employees and employee associations
- division of pension credits on marriage breakdown
- protection of pension rights of terminated employees.

All of these points are the subject of Commission recommendations in this Report. It is doubtful that the acceptance of all such recommendations would significantly alter the numbers included in pension plan membership although such would result in both better pensions, more contributors accumulating sufficient credits for pensions and reduced reliance on the Guaranteed Income Supplement. The Commission does not look to these changes to play any major role in expanding pension plan coverage of Nova Scotians.

OPTION 'D'
IMPROVEMENTS BROUGHT ABOUT THROUGH EMPLOYEE OR MARKET PRESSURES

The following table shows the growth in membership in occupational pension plans in Nova Scotia:

TABLE 61
OCCUPATIONAL PENSION PLANS - NOVA SCOTIA

	1970	Percent	1978	Percent	1980	Percent
Males	70,361		91,212		96,106	
Females	24,906		35,602		41,641	
TOTAL	95,267	(3.4%)	126,814	(3.0%)	137,747	(3.0%)

(Percentage figures indicate percentage of Canadian occupational pension plan members resident in the province.) (Note: Nova Scotia contains 3.5 percent of Canadian population).

SOURCE: Pension Plans in Canada - 1980 - Statistics Canada

In the years from 1970 to 1980, membership in pension plans in Nova Scotia increased from 95,267 to 137,747. While the growth appears to be significant, the percentage figures show a decline from 3.4 percent of the Canadian membership in 1970 to 3.0 percent in 1980.

workers. The CPP has built-in portability, survivors and disability provisions, provides full and immediate vesting, metes out equal treatment to all and is indexed to reflect changes in the Consumer Price Index.

The Canada Pension Plan has the disadvantage of being funded on a pay-as-you-go basis with the contributions of present contributors being used to pay pensions to those now retired. Opponents of this type of pay-go plan point out that there is no guarantee that this type of intergenerational transfer will be accepted by the workers in the future. The only actual funding is that placed in a fund equal to two years total contributions, reserved to meet demographic changes anticipated in the future.

It is apparent from the information available that the present retirement income system is not broadly based enough to provide adequate pensions for the bulk of the workers now employed in private industry in Nova Scotia. It is concluded that the best method of increasing retirement income on a broad basis is through an expansion of the benefits paid out by the Canada Pension Plan.

Following up on this conclusion, the Commission had to consider the question of the extent of the proposed increase in the CPP. The Canadian Labour Congress recommended an increase in the replacement rate from the present 25 percent to 50 percent.

The Commission rejects this proposal on the grounds that it would completely displace private pension plans and would result in the federal government having almost absolute control over retirement income.

The other options considered were the Cofirentes+ proposals and modifications of that proposal described as plan "B". The Cofirentes+ Report on the Quebec Pension Plan recommended adjusting the benefits under the plan by 50 percent on the first half of pensionable earnings and 25 percent on the balance of such earnings. In essence, the Cofirentes+ proposal would produce a pension of 37.5 percent of maximum pensionable earnings. Proposal "B" is for a straight income of 37.5 percent of earnings up to the YMPE without an internal weighting for lower income earnings as suggested in the Cofirentes+ proposal.

Using the present Canada Pension Plan contributions and making no allowances for future fund deficiencies, plan "B" would require contributions of 2.7 percent of pensionable earnings by the employees and employers.

The acceptance of the proposal would, along with the Old Age Security, result in a pensioner at the AIW getting retirement income equal to 51.5 percent of pre-retirement income. This would be increased by a further 14 percent of income when the non-income earning spouse is entitled to receive the Old Age Security. Under existing conditions for those at the AIW, additional retirement income is available through the GIS and SPA programs.

For those earning below the AIW, the income replacement ratio would be higher and conversely those earning above the AIW would have to take advantage of other opportunities to provide for higher income replacement.

In this section of the Report, examples used are based on gross incomes. This base is used because it is the one most commonly employed when expressing pension benefits as a percentage of employment income.

Most of the government employee pensions paid out in Nova Scotia are based on a final average earnings formula. The Federal Superannuation Plan provides benefits based on two percent of the average salary of the best six years (usually the last six) multiplied by the number of years of contributory service, with a maximum benefit of 70 percent of the average salary of the best six years. These calculations are based on gross salaries. All workers when calculating their potential retirement income prospects do measure this on a gross income basis. The Provincial Employees Plan is based on the best five years.

Another factor considered in deciding to use the gross figures is that contributions to private pension plans (excluding the defined contribution plans but including those covering government employees) are based on a percentage of gross income, hence, it is reasonable for employees to express their retirement income in terms of gross incomes.

Before comparing pre-retirement gross incomes to post-retirement gross incomes under the present and proposed formulae, the AIW and its relationship to the YMPE and OAS is examined.

The AIW, presently about $20,000, is the weighted average of a composite of industrial earnings. It is gathered through Statistic Canada's Labour Force Surveys' Group, on a monthly basis, for each province in Canada. Therefore, it must be specified which AIW is being used. Usually, the most publicized one is the national average earnings of the industrial composite. This is the AIW which is referred to when it is said that the YMPE is being increased annually until it equals the AIW. When the two are equal, the CPP could be said to be replacing 25 percent of average gross earnings up to the AIW for the preceding three years (for those who always earn at or in the same relation to the AIW).

Presently, the YMPE is trailing behind the AIW (national). This is partly because the YMPE is adjusted only once a year, while the AIW changes monthly:

	AIW	YMPE
February 1981	17,778	14,700
May 1981	18,338	14,700
January 1982	19,602	16,500
February 1982	19,718	16,500
May 1982	20,137	16,500

Between February, 1981 and May 1981, the AIW rose by 3.15 percent. If it had maintained this rate, it would have risen by 12.6 percent instead of 10.9 percent from February, 1981 to February, 1982. Between February, 1982 and May, 1982, the AIW rose 2.125 percent. At this rate, the annual increase by February, 1983 will be 8.5 percent.

Assuming that the AIW will rise an average of 8 percent per year and that the YMPE will continue to be increased by 12.5 percent until it matches the AIW, the following is projected:

	AIW	YMPE
January 1982	19,602	16,500
January 1983	21,170	18,500
January 1984	22,864	20,800
January 1985	24,693	23,400
January 1986	26,668	26,300*
January 1987	28,802	28,800

*Raised by 9.5 percent to match the AIW of January, 1987.

The AIW for Nova Scotia was $15,380 in May, 1981 (83.9 percent of the national) and $17,003 in May, 1982 (84.4 percent of the national). If it continues to rise at its present rate, about 10.6 percent, it will be around $18,200 in January, 1983 when the YMPE is $18,500. Nova Scotia's AIW will begin to trail the YMPE.

The prospect of the YMPE exceeding the AIW is not alarming because the AIW does not reflect the average income of all earners. Wages of those in the public service are not included in the industrial composite. Compared to other provinces, Nova Scotia has a relatively high proportion of its labour force in Public Administration. For instance, 6.8 percent of the total Canadian labour force worked for a government in April 1982, while 9.2 percent of Nova Scotia's labour force did so. The average earnings of this portion of the labour force are not represented in the AIW. On the other hand, the manufacturing sector is well represented. Here again, Nova Scotia's labour force differs greatly from Canada overall. While 19.2 percent of the total Canadian labour force worked in manufacturing, only 14.9 percent of Nova Scotia's labour force did so.

Since some sectors of the labour force are not included in the AIW calculation, this figure does not reflect the average income of all earners. For example, the annual-national AIW in 1979 was $14,989.00.[1] The average income of "families and unattached individuals" in Canada was $20,164.00. The corresponding average for Nova Scotia was $16,480.00. If the YMPE for 1979 ($11,700) had equalled the AIW, it still would not have reflected the higher average "family and individual" income. Therefore, if the YMPE for 1983 exceeds Nova Scotia's AIW, it will, at the same time, be close to the average income for all earners. The higher income earners will be contributing on a higher portion of their earnings and the lower income earners will be contributing on a smaller portion due to the higher Yearly Basic Exemption ($1,800 instead of $1,600). On the negative side, lower income earners will be further away from the maximum pensionable earnings and so will receive a retirement benefit that is a smaller percentage of the maximum.

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[1] Census Family Earnings: 1965 and 1979 provided by Privy Council Office of Canada, received August 27, 1982.

The YMPE was originally designed to be ultimately the average annual wage of members of the Canada Pension Plan. However, the legislation provided that there would be no increase in the YMPE before 1968, and thereafter a maximum increase of 2 percent from 1968 to 1975. During this period, wages rose more rapidly. Consequently, the majority of Canadians earned more than the YMPE. As a result, the CPP did not provide benefits in relation to wages at the level originally contemplated.

To rectify this, the YMPE was increased from $5,600 in 1973 to $6,600 in 1974, and thereafter at 12.5 percent per year until it catches up with the Industrial Composite of weekly wages and salaries published by Statistics Canada. Unfortunately, there is still a gap as the YMPE has not yet caught up to the Industrial Composite.

It should be noted that the average earnings of CPP members is not the same as the average industrial wage, because of a difference in composition between the two groups. Originally, the YMPE was to be based on the earnings of CPP members. It should also be noted that CPP benefits are 25 percent of the YMPE, which is the average of the YMPE in the year of retirement and the two preceding years. Thus, the CPP attempts to provide benefits on a last three year average.

The Commission recommends that:

9 - **THE GOVERNMENT OF NOVA SCOTIA MAKE REPRESENTATIONS TO THE GOVERNMENT OF CANADA THAT THE CANADA PENSION PLAN BE AMENDED TO PROVIDE THAT BY 1985, AT THE LATEST, THAT THE YEAR'S MAXIMUM PENSIONABLE EARNINGS WILL BE EQUAL TO THE INDUSTRIAL COMPOSITE WAGE IN THE MOST RECENT YEAR FOR WHICH STATISTICS ARE AVAILABLE, SUCH AMOUNT TO BE INCREASED TO REFLECT INCREASES FROM SUCH YEAR TO THE YEAR IN QUESTION.**

The OAS is available to anyone, regardless of their lifetime earnings and assets. It is adjusted quarterly to increases in the CPI. (If the CPI goes down, no adjustment is made.) Those in receipt of the maximum OAS benefit during 1982 will receive a total of $2,842.05 for the year. The average national AIW for 1982 will be around $20,300. OAS will be exactly 14 percent of this AIW figure.

In the following discussion of Tables 64 to 69 (Pages 248 to 253), when "replacement" of pre-retirement income by the CPP and OAS is noted, it means up to the YMPE and AIW, respectively. As earlier shown, the AIW and the YMPE, by virtue of its relationship to the AIW, do not reflect the average income of all labour force participants.

The following notes correspond to the line numbers on Tables 64 to 69.

1. Pre-retirement incomes are, from left to right, 50 percent, 75 percent, 100 percent, 150 percent and 200 percent of the AIW for 1982 ($20,000.00). These are the retirees' incomes for the year 1982, during which they will retire. In the final 3 years of work, the assumption is that their incomes have risen by 10 percent per year. For those earning below the YMPE ($16,500 in 1982), their final 3 years average incomes, on which CPP benefits are calculated, will be less than their incomes in their final year of employment due to the assumed yearly rise in their wages. For those earning above the YMPE, the calculation of their CPP benefits will be based upon the average of the YMPE in each of the 3 years before they retired. The YMPE has risen at about 12.2 percent in each of these years ($13,100 in 1980, $14,700 in 1981 and $16,500 in 1982).
2. The OAS amount used is the annual benefit in 1982. Every person age 65 or over who meets the residency requirements receives an OAS pension, regardless of their income level before retirement. On an annual basis, the OAS approximates 14 percent of the AIW.
3. All Canada Pension Plan benefits were calculated on the average of the final 3 years' earnings or YMPE's. It was assumed, for simplification, that the retiree had always earned at the same level and had, therefore, contributed to the CPP at the same level each year that

they worked. By assuming this, then no further adjustment to the average final earnings would be required in calculating the CPP retirement benefit. Therefore, the retirement benefits shown in these examples are the highest amounts possible for each of the pre-retirement incomes. In reality, these benefits would be reduced if the retiree has experienced periods of unemployment and/or lower wage levels.

In the examples for Cofirentes+' proposed formula (Tables 65 and 68), the percentage of income replaced is weighted towards the first half of the AIW, that is, the portion of the average final earnings or YMPE's up to and including half the AIW ($10,000). The difference between weighting the percentage replacement and taking a straight percentage is evident if one compares the CPP benefits under Tables 68 and 69. Table 68, Cofirentes+, breaks up the 37.5 percent of final average earnings into 50 percent of the first half of the AIW and 25 percent of the second half up to the YMPE while Table 69 gives a straight 37.5 percent of average final earnings up to the YMPE. The result in Table 69 is a lower replacement of earnings across the board. However, for earnings at or above the AIW, the difference in percentage replaced varies only 1.6 to 3.2 percentage points. For those under the AIW, the difference between weighted and straight replacement is greater - 11.4 and 5.3 percentage points for half the AIW and 75 percent AIW, respectively.

4. GIS is reduced by $1.00 for every $2.00 of "other income". "Other income" does not include OAS, Veterans' Pensions, or Workmen's Compensation Benefits. In December 1982, (the rates used for these tables) a single person could have had up to $5,951.99 in CPP and other yearly income, and still have qualified for GIS payments. (The payments at this level of "other income" would have been $0.89 per month). A married retiree whose spouse was 60 to 64 could have had up to $13,199.99 in other yearly income, besides his OAS and still qualified for GIS and SPA ($0.12 per month).
5. (Married examples only). The spouse of the retiree receives the SPA benefits in her own name. GIS and SPA are not considered to be income for tax purposes. However, the spouse's SPA must be deducted from the basic married exemption ($3,660) if it exceeds $590 per year. So, although the SPA is non-taxable income, it is taxed indirectly because it reduces the married exemption for the couple. SPA is equivalent to an Old Age Pension plus GIS.
6. Total gross retirement income.
7. Percentage gross replacement of pre-retirement income by Line 6.

8-10. Line 7 is broken down into the percentage gross replacements of each source of retirement income.

11. If the GIS/SPA programs were not in force, these figures show the gross income replacement in retirement of people who relied solely on OAS and CPP.

In Tables 67 to 69, it was assumed that the wife is between 60 and 64 years old when the husband retires, entitling her to Spouse's Allowance, provided their income is low enough. An additional table, Table 72, shows the survivor benefit payable under each of the formulae. The flat rate plus 37.5 percent of the husband's retirement pension is the benefit paid to a widow less than 65 years of age. When she is 65, she is entitled to no more than 60 percent of her late husband's retirement pension.

In Table 67 (Present CPP Formula), those who earned at 50 percent and 75 percent of the AIW, have 22.8 percent of their pre-retirement gross incomes replaced by the CPP. Those who earned at half the AIW before retirement will have 58.6 percent of this income replaced in retirement by GIS and SPA. (The wife's SPA alone is 35.6 percent of pre-retirement income.) Those who earned $15,000.00 before retirement will receive a replacement of 33.2 percent of this pre-retirement income from GIS and SPA. Those who earned at the AIW before retirement rceive an 18.5 percent replacement of income from the CPP. These families also rely heavily on GIS/SPA as it replaces 24 percent of their $20,000.00 pre-retirement income.

In Table 68, under Cofirentes+ Proposed Formula, GIS and SPA are still major components of retirement income (although less so than under the present CPP). For those at half the AIW, 43.2 percent gross replacement will be from GIS and SPA, while 45.6 percent will come from the CPP. At three-quarters of the AIW, 39.5 percent of previous income will be replaced by the CPP and 23.9 percent by GIS/SPA. At the AIW, GIS and SPA will replace 17.4 percent of pre-retirement income and CPP will replace 31 percent.

As previously mentioned, in the note to line three, Table 69 demonstrates what would happen if the 37.5 percent proposed CPP benefit under Cofirentes+ was not weighted towards the first half of the AIW. Those who earned at half the AIW are the most drastically affected because their total percentage replacement is lower than that under Cofirentes+. In addition, they must rely on a higher GIS/SPA due to the lower CPP benefit in Table 69.

The Cofirentes+ formula is the only one which yields a retirement pension, for earners at half the AIW, that is a greater proportion of pre-retirement income than the GIS/SPA. If these supplement programs were eliminated, these couples would only have 74 percent of an already low income replaced in retirement.

For those who earned at 75 percent of the AIW before retirement, only 58.7 percent of income would be replaced by OAS and CPP. A couple, whose pre-retirement income was at the AIW could expect a replacement of 45.2 percent from OAS and CPP under the Cofirentes+ proposal.

These lower income people are more likely to be in occupations where they did not have the opportunity to belong to an occupational pension plan. In addition, they may have savings, but the records show that not many would have bought RRSP's. Therefore, these lower income people will require a higher percentage replacement of pre-retirement earnings. This can be provided either by continuing the GIS/SPA supplement programs, or by an expansion of CPP benefits (and contributions).

The Cofirentes+ recommendations and proposal "B" would result, when combined with other government programs, in net replacement rates (i.e., replacement rate after taxes) that will exceed 100 percent of employment income for those who earned half the AIW. Replacement rates of this magnitude are not inherently desirable. In and of themselves, however, they do not constitute grounds for the rejection of either proposal. There are other considerations that should be taken into account before discarding the proposals solely on the basis of the very high degrees of income replacement they provide for low income earners.

It is important to note that the very high income replacement rates to which reference is made stem from the effects of OAS. There are a number of sound reasons for maintaining the OAS program. The OAS has two distinct effects on income replacement:

1) it produces higher levels of income replacement at lower levels of income because of its flat rate nature;
2) it provides higher degrees of income replacement for one earner couples than it does for individuals or two earner couples because it is based solely on years of residence in Canada as opposed to pre-retirement earnings.

Each of these effects raises further considerations.

The first of the effects of OAS just noted raises the point that the OAS and C/QPP cannot generate uniform degrees of income replacement over all income levels. Thus, while the "Cofirentes+" and proposal "B" would replace 74 percent and 62.6 percent, respectively, of pre-retirement earnings for one earner couples whose pre-retirement earnings were one-half of the AIW, the replacement rates that the two proposals would generate for one earner couples whose pre-retirement earnings were at the AIW would be 45.2 percent and 41.9 percent, respectively. Neither of these rates is especially high at that level of earnings. Bearing in mind that income replacement targets cannot be met uniformly for all levels of pre-retirement earnings, one must establish a target level of pre-retirement earnings and determine whether the results on the two sides of that level are tolerable. This last observation begs two further points:

1) as long as the OAS exists, there is always a level of pre-retirement earnings at which the OAS and C/QPP will give rise to gross replacement in excess of 100 percent (for one earner couples the level of pre-retirement earnings at which this currently happens is approximately one-third of the AIW); and,
2) assuming that each one earner couple includes an income earner who has earned at least the minimum wage for a full year, the actual number of one earner couples who will receive gross replacement at the 100 percent level will be limited; this problem may be more hypothetical than real.

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Report of the Nova Scotia Royal Commission on Pensions

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The fact that one-earner couples receive higher degrees of income replacement than either single individuals or two-earner couples serves as a reminder that the OAS and CPP produces degrees of income replacement that vary with people's marital and employment status. Thus one has to identify the combination of marital and employment status that is considered most relevant for purposes of defining pension policy. In this regard, two developing social trends suggest that the traditional reliance on the one-earner couple as the model of typical marital and employment status may not be appropriate. The two trends are:

1) the increasing number of divorces; and,
2) the increasing participation of married women in the paid labour force.

Taken together, these two trends mean that a declining number of Canadians will reach age 65 as members of a one-earner couple. Even ignoring these trends, approximately 45 percent of the current population over 65 is made up of widows and widowers with widows outnumbering widowers by approximately 5 to 1. If widows of one earner couples are to enjoy an adequate income without having to rely excessively on income-tested benefits, then the couple will require a very substantial degree of income replacement while they both live together.

Individuals with pre-retirement earnings at one-half of the AIW will receive 74 percent of their pre-retirement earnings from OAS and CPP under the "Cofirentes+" and 62.6 percent under Plan "B". These gross replacement rates drop to 45.2 percent and 41.9 percent under the "Cofirentes+" and Plan "B" proposals for individuals with pre-retirement earnings at the AIW. The replacements (from OAS and CPP only) for individuals are identical to those for both one and two-earner couples with the same earnings. Two-earner couples with different earnings will have replacement rates between those of individuals and one-earner couples if it is assumed that the earnings levels referred to (i.e., one-half of the AIW, AIW) are the earnings levels of the higher earner. It is not unfair to suggest that the replacement rates for single individuals and two-earner couples under the "Cofirentes+" and "B" proposals are not excessive in the middle income ranges.

The foregoing has referred to replacement rates in gross rather than net after tax terms. This approach to discussing replacement rates has been criticized on the grounds that what is at issue with regard to income replacement is the degree to which people can maintain their standard of living on an after-tax basis. This criticism has an undeniable theoretical merit.

However, the after-tax approach involves two interrelated pitfalls of its own. By its nature, pension planning tries to establish arrangements that will have a degree of permanence to them while the tax arrangements that are relevant to an assessment of disposable income before and after retirement are inherently vulnerable to change over short periods of time. Thus, the adequacy of a fixed set of pension arrangements may fluctuate through time due to changes in tax measures when adequacy is asessed on an after-tax basis.

In addition, there are a number of federal and provincial programs currently in place to support the elderly which are justified on the grounds that the elderly have, by and large, inadequate incomes. At the federal levels, these programs include tax relief such as the age exemption and the pension income deduction which not only cost the federal and provincial governments more than $433 million in forgone revenues in 1980, but they also have the paradoxical effect that, while they are justified on the basis of low incomes among the elderly, they provide absolute dollar benefits that increase with the taxable income of the elderly.

The significance of this point for the after-tax analyses of replacement rates is that as the actual incomes of the elderly are increased, one would expect a moderation in the rate of growth of other forms of support for the elderly such as tax relief. In other words, it is quite conceivable that an increase in pension incomes that is acceptable on a gross basis, but which looks too generous on a net basis, will prompt tax adjustments that will bring both into the acceptable range. In recognition of the pitfall in net replacement analyses referred to above, the Canadian Labour Congress is now advocating use of a gross replacement target of 75 percent of pre-retirement earnings.

THE POSSIBILITY OF INCREASING GIS BENEFITS TO THE LEVEL OF OAS AND GIS BENEFITS COMBINED AND ELIMINATING OAS

There are two readily apparent reasons why one might choose to eliminate the OAS and raise GIS benefits to the level of OAS and GIS benefits combined:

1) the degree of income replacement provided by the non-income tested part of the public pension system would be more uniform because it would be determined by the CPP alone; and,
2) it would be cheaper to guarantee a minimum level of retirement income to all of the elderly through the GIS alone than through a combination of the OAS and GIS.

The logic that underlies the second of these reasons is quite straight forward. The logic that underlies the first reason is that one would eliminate the departures from a uniform degree of income replacement that stem from the fact that the flat rate OAS provide degrees of income replacement that vary with levels of pre-retirement earnings and one's marital and employment status.

One of the effects of incorporating the OAS into the GIS will be to raise the income threshold up to which some GIS is payable. This will result from the fact that every $1 increase in the maximum GIS entitlement raises the income level up to which some GIS is payable by $2. With the OAS and GIS as they currently operate, the income threshold up to which some GIS is payable is defined as:

OAS plus twice the GIS. In approximate annual terms, the income threshold up to which some GIS is payable to an individual is $8,700. If the OAS is incorporated into the GIS, the income threshold up to which some GIS will be payable will be twice the larger GIS. In approximate annual terms, this would raise the threshold for individuals to $11,500.

The fact that there will be an increase in the income threshold up to which some GIS will be payable gives rise to two issues. An approximate doubling of GIS benefits through the incorporation of OAS into GIS will more than double the cost of the GIS because more people will be eligible to receive GIS benefits. While the elimination of OAS will still generate savings that exceed the cost of the expanded GIS, it is important to acknowledge that GIS expenditures will increase substantially.

The more important issue is that the retirement income system, as a whole, would become substantially more of an income-tested system. The income threshold for an individual would represent 55 percent of the AIW which means that, unless an individual with earnings at the AIW replaced at least 55 percent of their earnings in retirement, then they would be drawing income tested benefits. An individual whose earnings were one-half of the AIW would have to replace about 115 percent of their pre-retirement earnings to escape the need for income-tested benefits. If survivors of one earner couples with these levels of earnings are to avoid the GIS, then the amount of income replacement required at the time of retirement will be one and two-thirds times the amounts suggested assuming that 60 percent survivor benefits are paid.

Thus a virtual doubling of GIS benefits is going to make it very difficult for middle and low income earners and their survivors to escape eligibility for income-tested benefits. The Canadian Labour Congress has advocated that the retirement income system should be designed in a way that minimizes the need for income tested benefits. This position comes partly from the belief that people would prefer to receive retirement income on the basis of earned entitlements and partly from a concern that income-tested benefits reduce the value of whatever earned entitlements that people do have. The fact that more than 50 percent of the current elderly are in receipt of income-tested benefits plays up the excessive reliance on income-tested benefits that are a feature of the present retirement income system.

It is noted that one of the side effects of the OAS is that it produces uneven degrees of income replacement for people in different income groups and for people of different marital status. This poses problems for pension planning in that it means that replacement income targets cannot be met in a uniform way for all income groups and combinations of marital and employment status. Thus, the existence of the OAS forces certain compromises in pension planning: targeted replacement rates will be more fully met for low income one earner couples than for others. One obvious way of eliminating this uneveness would be to eliminate the OAS. However, it is important to recognize that income replacement is an objective of public pension programs that has always been subject to qualification and that the OAS imposes a qualification on pure income replacement that may, in fact, be desirable.

Earnings replacement programs, like the C/QPP, reproduce in retirement all of the earnings inequalities that exist among people prior to retirement. A philosophical aversion to having public pension programs reproduce the greatest extremes in earnings inequalities, coupled with the more practical consideration that higher earners are better able to look after their own retirement income needs, has led most public earnings related pensions to have an upper limit on the level of earnings up to which earnings will be replaced in retirement. Under the C/QPP, the upper limit is imposed by the YMPE which has the effect of compressing the degree of earnings inequality that will be reproduced by the C/QPP. At the other end of the scale, the OAS has the effect of compressing the degree of earnings inequality that will be reproduced in retirement by providing a level benefit regardless of people's pre-retirement earnings.

It is clear that the manner in which people will view the compressing of earning inequalities will depend on their philosophical disposition. For many people, this is a positive attribute of the OAS.in spite of the fact that it brings about some compromising with regard to income replacement targets. The compressing role is particularly important to women. The OAS provides some compensation to women for their lower level of earnings and, at present, it is the only source of public pension income that is available to full-time, permanent homemakers that is not income tested.

The fact that some in the low income levels may derive retirement benefits through public programs that are greater than those earned while employed is not the issue. The important question is do they have enough to live on in retirement?

Speaking in support of the GIS concept, the Hon. Allan MacEachen said in the House of Commons on December 5, 1966,

> **"When the Canada and Quebec Pension Plans were introduced, the retirement benefits were set at levels which, combined with those available under Old Age Security, were designed to provide a satisfactory retirement income for most Canadians. At low income levels, the combined benefits exceed previous earnings."**

Accordingly, the Commission has concluded that all benefits under the Canada Pension Plan, both those related to the YMPE and those with a flat component be increased by 50 percent. This means that benefits would be based on 37.5 percent of the YMPE in the year of retirement, and the two preceding years.

The Commission examined the implications of the Year's Basic Exemption (YBE) and concluded that it should be eliminated on the grounds that it would extend the coverage of the CPP and will provide an improved financial base by increasing the total contributions to the plan beyond that envisaged in the original actuarial assumptions. The elimination of the Year's Basic Exemption will mean all income up to the YMPE will be used as the basis of the CPP contributions. This will bring many part-time workers, especially women, under the Canada Pension Plan. If this amendment to the CPP is accepted, many Nova Scotians will be able to accumulate CPP credits for the first time.

The Commission examined a number of measures by which the effects of the elimination of the YBE could be ameliorated and, in the course of this examination, studied one which would collect the CPP contributions on all income up to the YMPE and rebate a portion to the lower paid employees but not to the employers. This option was discarded because it would require additional changes in the personal income tax return and would be costly to administer.

According to figures released by Statistics Canada of contributions to occupational pension plans, employers contribute $4,973,322,000 and employees $2,611,309,000; thus employers contributed 65.6 percent of the total and employees contributed 34.4 percent.

This disproportionate sharing of pension costs is attributed to a number of factors:

A. In a number of plans, the total cost of pension contributions is assumed by the employer.

B. In some plans, the sponsor agreed to a disproportionate share in order to overcome employee objections to introduction of the pension plan.

C. In many cases, the higher employer contribution rises out of the commitment of the employer to provide pension credits for service prior to the introduction of the pension plan. These past service contributions added to the current service contributions pushed the employer's contributions beyond those of the employees.

D. In more recent years, the rapid growth of salaries due to inflation has required the injection of additional contributions by employer sponsors of plans with a final earnings pension base. Career contributions, even with improved earnings, were insufficient to provide the revenues required to meet the commitment to pay pensions based on inflated earnings immediately prior to retirement.

As noted above, very few occupational pension plans are based on equal contributions of employees and employers for the reasons noted. A 1982 survey of pension plans conducted by the Financial Executives Institute of Canada showed that the average employer contribution was 7.7 percent of payroll and the corresponding average employee contributions to plans where employees are required to contribute was 4.6 percent of payroll.

It was concluded for the reasons noted above that it would not be improper to introduce into the CPP a differential in the contributions of employees and employers, particularly if the changes in the CPP are accepted as recommended in this Report. In this manner, the Canada Pension Plan would more closely follow the general practices of the occupational plan.

The Commission concluded that, with the elimination of the year's basic exemption and the increase of the CPP contributions to a total of 5.4 percent to cover the increased benefits, that it will be possible to set the employee's contribution at 2.5 percent of the YMPE, the employers at 2.7 percent and the self-employed at 5.2 percent of the YMPE.

These rates, of course, are based on a simple extension of the present 3.6 percent equally shared formula and will, of necessity, have to be increased in the future in accordance with the original;cost projections of the CPP.

The Commission considered the implications of an immediate increase in the CPP contributions and benefits. Such an immediate increase will result in a sudden 50 percent in costs to the CPP. Present recipients of CPP benefits will pay no additional premiums and will be the beneficiaries of an immediate increase of 50 percent in benefits.

When the CPP was introduced, benefits were phased-in over a 10 year period but, even with this gradual introduction, there was a built-in enhancement of benefits. A young person entering the labour force at age 20 will contribute to the plan for 45 years (less certain statutory adjustments) in order to earn a full benefit of 20 percent of the average of the YMPE of the past 3 years. Those who retired in 1976 and subsequent years are drawing CPP benefits as if they had contributed to the plan for 38 years. This must be recognized as a fairly substantial subsidy to those who were between 40 and 55 years of age when the CPP was introduced.

To increase the CPP benefits by 50 percent and to apply this increase to present pensioners would place a great financial strain on the fund and will be conferring a further unearned benefit on those already enjoying the benefits of a subsidized pension.

The Commission concluded that the suggested 50 percent increase in the CPP benefits be phased-in over a 5 year period commmencing 1 year after the introduction of increased contributions to the CPP.

In the calendar year 1981, the CPP revenues were as follows: (all figures expressed in millions)

Contributions	Interest	Other	Total
$3,008.4	$1,643.2	$141.9	$4,793.6

In the same calendar year, expenditures were:

Benefits	Administration	Total	Balance In Account
$2,325.7	$88.4	$2,414.1	$21,326.4

For that year, the revenues exceeded expenditures by $2,379.5.

If the 5 year phasing-in is an acceptable approach to the increase in the CPP, then the effect of the application of increases in the contribution rates of 2.5 percent of all earnings up to the YMPE by the employees, 2.7 percent by employers and 5.2 percent by the self-employed spread over such a span of time will be as illustrated in the following table.

TABLE 62

SHOWING ACTUAL ANNUAL RATES OF CONTRIBUTIONS REQUIRED TO BRING CONTRIBUTION RATES UP TO A 50 PERCENT INCREASE OVER A FIVE YEAR SPAN ASSUMING THE CONTRIBUTION DIFFERENTIAL OF 2.5 - 2.7 PERCENT

	Employees		Employers	Self-Employed
Year 1	1.94%	of YMPE	1.98%	3.92%
Year 2	2.08%	of YMPE	2.16%	4.24%
Year 3	2.22%	of YMPE	2.34%	4.56%
Year 4	2.36%	of YMPE	2.52%	4.88%
Year 5	2.50%	of YMPE	2.70%	5.20%

On the gradual introduction of the improved CPP, a person who retired at the end of the year in which the increased contributions is introduced would receive a proportionate increase in the CPP benefit as set out below. Assuming that the changes were to be effective January 1, 1984, a person retiring on January 1, 1985 should receive a CPP based upon 27.5 percent of the average of the last three years' YMPE.

The phasing-in of benefits would be:

January 1, 1985	27.5 Percent
January 1, 1986	30.0 Percent
January 1, 1987	32.5 Percent
January 1, 1988	35.0 Percent
January 1, 1990	37.5 Percent

Thus, reaching maximum improved benefits in 1990 by which time it is anticipated that the CPP rates will have to be adjusted upwards again, on actuarial grounds, although the gradual introduction of the new contribution rates will result in a little better experience than that forecast in the original CPP projections. The investment of one-half of the CPP funds through the private sector, as presented later in this Report, should produce a higher yield and thus increase the total CPP fund. The elimination of the Year's Basic Exemption will add approximately 10 percent more in contributions to the fund, would increase the number of contributors by about 30 percent and would be further enhanced by the increasing of the YMPE to the AIW level.

There may be more difficulty experienced in integrating the expanded CPP with private plans on a gradual basis than if it was increased by 50 percent in one year, but this is not regarded as an insurmountable barrier, nor does it appear to be a reason to reject the hypothesis that a gradual change is preferable to a sudden and dramatic change in contributions and benefits.

The Commission recommends, with one Commissioner dissenting, that:

10(A) - THE GOVERNMENT OF NOVA SCOTIA RECOMMEND TO THE GOVERNMENT OF CANADA THAT CONTRIBUTIONS TO THE CPP BE INCREASED SO THAT THE BENEFITS WILL ULTIMATELY BE INCREASED BY 50 PERCENT OVER THE CURRENT BENEFITS, AND

(B) - THAT THE YEAR'S BASIC EXEMPTION BE REMOVED TO PROVIDE COVERAGE FOR PART-TIME WORKERS, ESPECIALLY WOMEN, AND

(C) - THAT A DIFFERENTIAL IN THE RATES OF CONTRIBUTIONS BE INTRODUCED TO COMPENSATE IN PART FOR THE LOSS OF THE YEAR'S BASIC EXEMPTION AND TO BE MORE IN LINE WITH CONDITIONS IN OCCUPATIONAL PENSION PLANS AND THAT CONTRIBUTIONS BE BASED ON 2.5 PERCENT OF THE YMPE FOR EMPLOYEES, 2.7 PERCENT FOR EMPLOYERS AND 5.2 PERCENT OF YMPE FOR THE SELF-EMPLOYED, AND

(D) - THAT THE CONTRIBUTIONS RATES BE PHASED-IN OVER A FIVE YEAR PERIOD AS FOLLOWS:

	EMPLOYEES	EMPLOYERS	SELF-EMPLOYED
Year 1	1.9%	2.0%	4.0%
Year 2	2.1%	2.2%	4.3%
Year 3	2.3%	2.4%	4.6%
Year 4	2.4%	2.5%	4.9%
Year 5	2.5%	2.7%	5.2%

IF THE INCREASED CONTRIBUTIONS WERE INITIATED ON JANUARY 1, 1984, THE INCREASED BENEFITS SHOULD BE PAID ON A PHASED-IN BASIS COMMENCING JANUARY 1, 1985.

THE SCALE OF BENEFITS WOULD THEN BE:

JANUARY 1, 1985	27.5 PERCENT
JANAURY 1, 1986	30.0 PERCENT
JANUARY 1, 1987	32.5 PERCENT
JANUARY 1, 1988	35.0 PERCENT
JANUARY 1, 1990	37.5 PERCENT

(E) - THAT THE FOREGOING CHANGES BE ONLY APPLICABLE TO THOSE WHO CONTRIBUTE AT THE HIGHER RATES AND THAT NO ADJUSTMENT BE MADE TO THOSE IN RECEIPT OF CPP BENEFITS PRIOR TO THE INTRODUCTION OF THE FOREGOING CHANGES.

TAX CREDITS FOR CPP CONTRIBUTIONS

Contributions to the CPP are deductible from taxable income and, because of the income tax law, those in the higher income brackets have an advantage over those in the lower and middle income brackets. Because of the present income tax laws, the lower and middle income contributors are proportionately contributing more for their

CPP benefits than the the higher income earners. In Recommendation No. 8, the Commission advanced the suggestion that contributions to pension plans be recognized through tax credits rather than through the present methods that now give the greater advantage to the more affluent.

The Commission recommends that:

11 - THE PROVINCE OF NOVA SCOTIA ACCEPT THE PRINCIPLES ENUNCIATED IN RECOMMENDATION NO. 8 AND REQUEST THE GOVERNMENT OF CANADA TO APPLY SAME TO CONTRIBUTIONS TO THE CANADA PENSION PLAN.

DEFERRED APPLICATION FOR CPP BENEFIT

The purpose of any pension plan is to replace either partially or wholly the income earned while in the work force. The Canada Pension Plan is available to all contributors in the month following the attaining of the 65th birthday.

The Haley Commission stated (page 128, Volume V):

> **"... the union and others...see the CPP as a strictly earnings-related contributory scheme where benefits are bought by contributors and are therefore payable as of right. This CPP is established on a group principle and embraces several cross subsidies with an intergeneration subsidy* supported on a social compact basis between present workers and those of the future."**

Under present regulations contributors who attain the age of 65 are entitled to draw the earned benefit (albeit a subsidized one) and can remain in the work force and draw both work income and the CPP. The main thrust of this report is that the bulk of retirement income for Canadians be based on public and private contributory systems. These are to be supplemented by the Old Age Security and the Guaranteed Income Supplement which will reduce in importance and in total dollar terms as the improved contributory pension plans mature.

Contributory pensions are earned as a matter of right upon the attaining of the prescribed conditions of age and/or service. Occupational pension plans do not provide benefits until an employee terminates service with his employer, in most cases pensions are suspended if the pensioner is taken back into employment.

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* The term "Intergenerational Transfer" is used frequently in reference to the payment of supplementary funds to recipients of public pensions but is seldom, if ever, used in reference to the heavy public costs of education, the bulk of which are borne by those in the work force and constitutes another "Intergenerational Transfer."

See Table 63, Page 247

Early retirement is most often provided on an actuarially reduced basis to those in occupational pension plans and a disability pension is provided through the CPP.

It is difficult to understand why contributory pension plans (and government employment pension plans) in the private sector requires the withdrawal from the work force as a condition of payment of the earned pension and the publically operated contributory plan permits a contributor to draw a full benefit and continue in the work force. It is not suggested that one should be compelled to withdraw from the work force at age 65 nor is it suggested that the omnirente Old Age Security be denied to anyone entitled at age 65 to receive it. The Old Age Security is now financed through general revenue, requires no direct contribution (at least not since 1972), has no means or needs test and often is the only automatic guaranteed source of funds for females 65 or over.

It is suggested, however, that those who choose to remain in this work force beyond the age of 65 should not be entitled to draw the CPP, but rather the benefits would be enhanced by delayed retirement. First, on the basis of that now available on an optional basis and second by providing an actuarially adjusted pension to take into account the effects of the delayed retirement. Mandatory payments should commence upon attaining the 70th birthday.

The effect of these amendments would be generally more beneficial for the self-employed such as farmers, fishermen, woodsmen, independent truckers and who, while enjoying good health, may wish to build greater pension benefits. They would also reduce in a small way the ratio of CPP recipients to CPP contributors.

A deferred application for the CPP will reduce some current pay-out from the fund and it is obvious in addition to the interest earned by work career contributions left in the fund beyond the 65th birthday, that the reduced life expectancy of the pensioner should enhance the postponed benefits. After all, any issuer of an annuity will pay a better return on a payment of $50,000 at age 70 than it will at age 65.

The Commission recommends that:

12 - THE GOVERNMENT OF NOVA SCOTIA CONFER WITH THE GOVERNMENT OF CANADA TO SEEK AN AMENDMENT TO THE CANADA PENSION PLAN TO ENCOURAGE THOSE REMAINING IN THE WORK FORCE TO DEFER APPLICATION FOR BENEFITS UNDER THE CPP UNTIL SUCH TIME AS THEY LEAVE THE WORK FORCE, WITH A MAXIMUM AGE OF 70 YEARS, BY PROVIDING AN ACTUARIALLY BASED ENHANCEMENT OF THE CPP BENEFITS RESULTING FROM THE DEFERRED APPLICATION.

TABLE 63

COMPARISON OF PUBLIC COSTS OF MAINTAINING THE ELDERLY AND PUBLIC EXPENDITURES ON EDUCATION

Gross Costs of Maintaining the Elderly in Canada, 1979

OAS	- 4,130,613,000
GIS	- 1,234,161,000
SPA	- 126,302,000
Veterans	- 673,143,000
	6,164,219,000*

Expenditures on Education, 1977-78

Federal	- 1,610,500,000
Provincial	- 11,244,300,000
Municipal	- 3,131,900,000
Total	- 15,986,700,000
Less Revenues	- 1,113,600,000
NET	- 14,873,100,000

*Does not include costs of provincial and municipal supplementary programs.

TABLE 64

SINGLE PERSON

PRESENT CPP BENEFIT FORMULA AND CONTRIBUTION RATE (1.8 PERCENT X 2)

1)	Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
	Post-Retirement Income					
2)	OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3)	CPP	2,280.00	3,419.00	3,692.00	3,692.00	3,692.00
4)	GIS	1,835.00	1,271.00	1,139.00	1,139.00	1,139.00
6)	Income	$ 6,957.00	$ 7,532.00	$ 7,673.00	$ 7,673.00	$ 7,673.00
7)	Percentage Gross Replacement	69.6	50.2	38.4	25.6	19.2
	Percentage Gross Replaced By:					
8)	OAS	28.4	19.0	14.2	9.5	7.1
9)	CPP	22.8	22.8	18.5	12.3	9.2
10)	GIS	18.4	8.5	5.7	3.8	2.9
11)	Percentage Gross Replacement By OAS and CPP Only	51.2	41.8	32.7	21.8	16.3

TABLE 65

SINGLE PERSON

COFIRENTES+ PROPOSED BENEFIT FORMULA AND CONTRIBUTION RATE (3.4 PERCENT X 2)

1) Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
Post-Retirement Income					
2) OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3) CPP	4,559.00	5,919.00	6,192.00	6,192.00	6,192.00
4) GIS	707.00	23.00	-	-	-
6) Income	$ 8,108.00	$ 8,784.00	$ 9,034.00	$ 9,034.00	$ 9,034.00
7) Percentage Gross Replacement	81.1	58.6	45.2	30.1	22.6
Percentage Gross Replaced By:					
8) OAS	28.4	19.0	14.2	9.5	7.1
9) CPP	45.6	39.5	31.0	20.6	15.5
10) GIS	7.1	0.2	-	-	-
11) Percentage Gross Replacement By OAS and CPP Only	74.0	58.7	45.2	30.1	22.6

TABLE 66

SINGLE PERSON

PLAN "B" BENEFIT FORMULA AND CONTRIBUTION RATE (2.7 PERCENT X 2)

1)	Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
	Post-Retirement Income					
2)	OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3)	CPP	3,419.00	5,129.00	5,538.00	5,538.00	5,538.00
4)	GIS	1,271.00	419.00	215.00	215.00	215.00
6)	Income	$ 7,532.00	$ 8,390.00	$ 8,595.00	$ 8,595.00	$ 8,595.00
7)	Percentage Gross Replacement	75.3	55.9	43.0	28.7	21.5
	Percentage Gross Replaced By:					
8)	OAS	28.4	19.0	14.2	9.5	7.1
9)	CPP	34.2	34.2	27.7	18.5	13.9
10)	GIS	12.7	2.8	1.1	0.7	0.5
11)	Percentage Gross Replacement By OAS and CPP Only	62.6	53.2	41.9	28.0	21.0

TABLE 67

MARRIED COUPLE - ONE INCOME

PRESENT CPP FORMULA AND CONTRIBUTION RATE (1.8 PERCENT X 2)

1)	Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
	Post-Retirement Income					
2)	OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3)	CPP	2,280.00	3,419.00	3,692.00	3,692.00	3,692.00
4)	GIS	2,293.00	2,293.00	2,293.00	2,293.00	2,293.00
5)	SPA	3,564.00	2,700.00	2,520.00	2,520.00	2,520.00
6)	Husband/Wife Income	$10,979.00	$11,254.00	$11,347.00	$11,347.00	$11,347.00
7)	Percentage Gross Replacement	109.8	75.0	56.7	37.8	28.4
	Percentage Gross Replaced By:					
8)	OAS	28.4	19.0	14.2	9.5	7.1
9)	CPP	22.8	22.8	18.5	12.3	9.2
10)	GIS/SPA	58.6	33.2	24.0	16.0	12.1
11)	Percentage Gross Replacement By OAS and CPP Only	51.2	41.8	32.7	21.8	16.3

TABLE 68

MARRIED COUPLE - ONE INCOME

COFIRENTES+ PROPOSED FORMULA (3.4 PERCENT X 2)

1) Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
Post-Retirement Income					
2) OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3) CPP	4,559.00	5,919.00	6,192.00	6,192.00	6,192.00
4) GIS	2,161.00	1,813.00	1,741.00	1,741.00	1,741.00
5) SPA	2,161.00	1,813.00	1,741.00	1,741.00	1,741.00
6) Husband/Wife Income	$11,723.00	$12,387.00	$12,516.00	$12,516.00	$12,516.00
7) Percentage Gross Replacement	117.2	82.6	62.6	41.7	31.3
Percentage Gross Replaced By:					
8) OAS	28.4	19.0	14.2	9.5	7.1
9) CPP	45.6	39.5	31.0	20.6	15.5
10) GIS/SPA	43.2	23.9	17.4	11.6	8.7
11) Percentage Gross Replacement By OAS and CPP Only	74.0	58.7	45.2	30.1	22.6

TABLE 69

MARRIED COUPLE - ONE INCOME

PLAN "B" PROPOSED BENEFIT AND CONTRIBUTION RATE (2.7 PERCENT X 2)

1)	Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
	Post-Retirement Income					
2)	OAS	2,842.00	2,842.00	2,842.00	2,842.00	2,842.00
3)	CPP	3,419.00	5,129.00	5,538.00	5,538.00	5,538.00
4)	GIS	2,293.00	2,017.00	1,909.00	1,909.00	1,909.00
5)	SPA	2,700.00	2,017.00	1,909.00	1,909.00	1,909.00
6)	Husband/Wife Income	$11,254.00	$12,005.00	$11,778.00	$11,778.00	$11,778.00
7)	Percentage Gross Replacement	112.5	80.0	61.0	40.7	30.5
	Percentage Gross Replaced By:					
8)	OAS	28.4	19.0	14.2	9.5	7.1
9)	CPP	34.2	34.2	27.7	18.5	13.9
10)	GIS/SPA	49.9	26.8	19.1	12.7	9.5
11)	Percentage Gross Replacement By OAS and CPP Only	62.6	53.2	41.9	28.0	21.0

TABLE 70

INCOME REPLACEMENT UNDER PRESENT AND PROPOSED CPP RETIREMENT BENEFITS

SINGLE PERSON

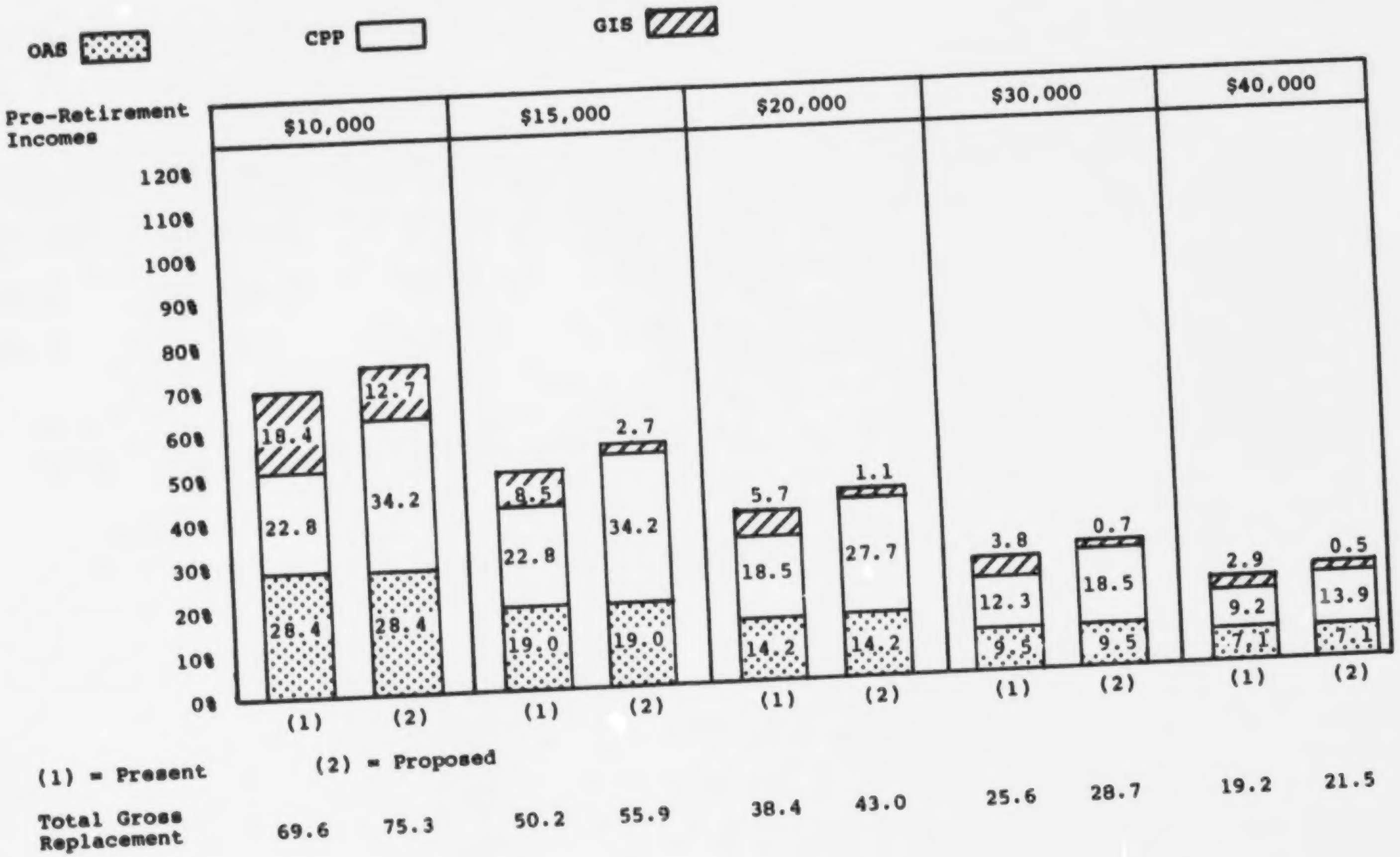
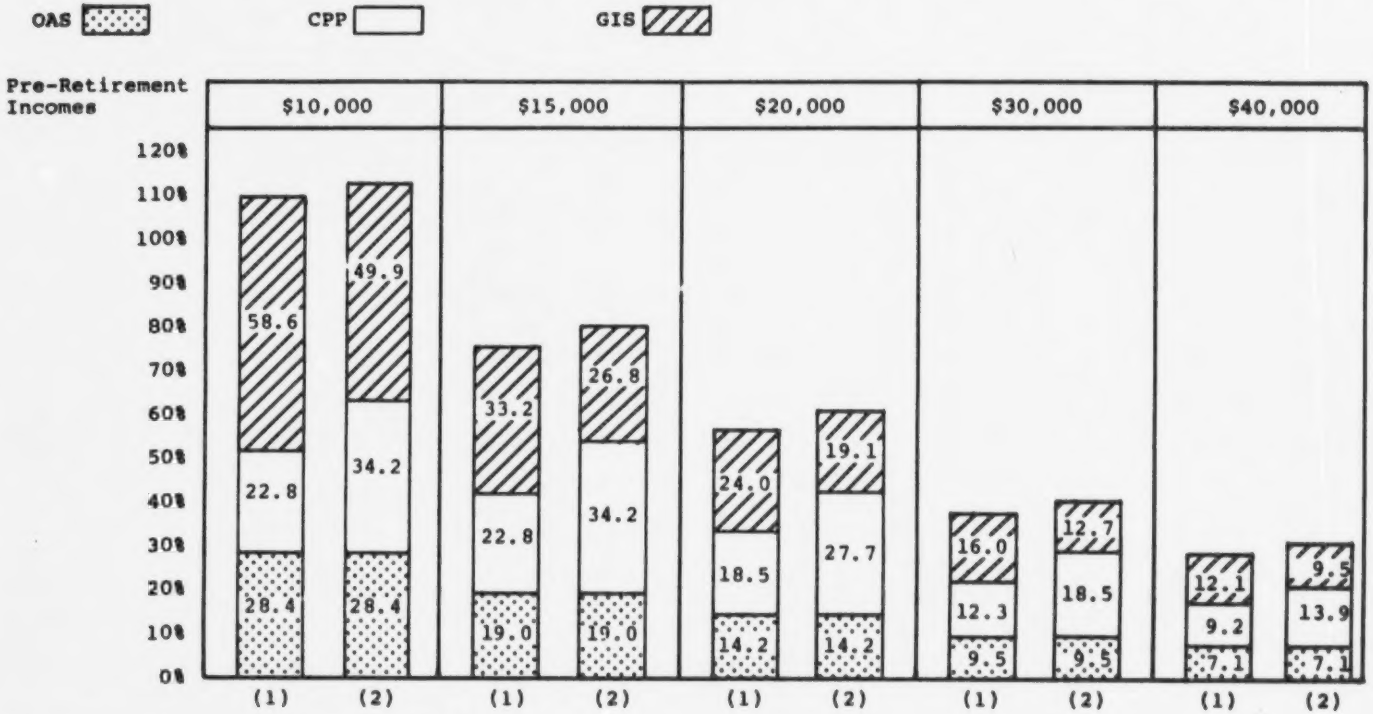


TABLE 71

INCOME REPLACEMENT UNDER PRESENT AND PROPOSED CPP RETIREMENT BENEFITS

MARRIED COUPLE - ONE EARNER



(1) = Present (2) = Proposed

Total Gross Replacement	109.8	112.5	75.0	80.0	56.7	61.0	37.8	40.7	28.4	30.5

TABLE 72

SURVIVORS' PENSIONS

(FLAT = 70.68/MONTH)

Pre-Retirement	$10,000.00	$15,000.00	$20,000.00	$30,000.00	$40,000.00
CPP Flat + 37.5 Percent	1,703.00	2,130.00	2,233.00	2,223.00	2,233.00
60 Percent	1,368.00	2,051.00	2,215.00	2,215.00	2,215.00
Cofirentes+ Flat + 37.5 Percent	2,558.00	3,068.00	3,170.00	3,170.00	3,170.00
60 Percent	2,735.00	3,551.00	3,715.00	3,715.00	3,715.00
Plan "B" Flat + 37.5 Percent	2,130.00	2,772.00	2,925.00	2,925.00	2,925.00
60 Percent	2,051.00	3,077.00	3,323.00	3,323.00	3,323.00

INCREASED CPP CONTRIBUTIONS AND THE ABILITY TO PAY

An upward revision of the CPP benefits will require an increase in the contributions of both employees and employers. In the preceding section where it is suggested that the benefit structure under the CPP be revised, a straight arithmetical calculation was used to illustrate potential costs. This was used because of the diversity of opinions on the future costs of the CPP if benefits are maintained at the present rate.

Dire predictions are periodically made that the Canada Pension Fund is now or will at some future date be bankrupt. The Report of the Haley Commission of Ontario includes one volume given over entirely to the Canada Pension Plan. A study of the full volume is recommended but for the purposes of this Report, the following is extracted from the Ontario Report:

> "The financial security of the CPP has become a concern for the average working Canadian. In the Commission's opinion, this concern is unfounded. The CPP is not bankrupt and will not be by the time the extra population from the post-war baby boom starts to receive retirement benefits, if benefit levels and the funding structure remain unchanged. This is so even with high inflation and a low birth rate. Contributions will have to be increased, but that eventuality has never been in dispute. The timing and extent of contribution adjustments, however, are matters of legitimate and vital concern.
>
> The scheme of the CPP funding is unfolding as predicted in 1964. The latest statutory actuarial report for the plan and the Commission's

projections show that in the year 1985 or 1986, benefits will exceed contributions for the first time. This does not mean that contributions need increase immediately when that event occurs. Rather, it means that less money will then be available for borrowing by the participating provinces. Interest on the existing fund will continue, and for another five or six years will be available for additional provincial borrowing. For some ten years, therefore, there will be no real need to increase contributions for the CPP itself.

That ten year moratorium offers two major temptations. The first is to increase benefits without raising contributions to the full extent of benefit costs. This would have the effect of reducing the time within which the main decision on contribution increases must be made; but it might be politically attractive in the short run.

The second temptation is to increase contributions (and benefits to the extent necessary to justify politically the increase) beyond the amounts required on a pay-go basis to supply additional capital for borrowing by the participating provinces at favourable rates. Such increases could be as large as that projected for a fully funded CPP.

The (Haley) Commission's recommendations would not only reject both these temptations but would convert the CPP to a design most compatible with a system of social security.

When CPP contributions are required to increase in about 1991, the Commission recommends that the new rates be sufficient to place the plan on a pay-as-you-go basis. The only fund required should be one limited to twice the year's benefit and administrative cost pay-out three years in advance. This would cover any unexpected fluctuations in benefit requirements. The rates should also be set with consideration of

> the long-run requirements of the plan, and should have a monitoring and adjusting mechanism which will facilitate any necessary changes and avoid disuption of other public and private programs.
>
> The (Haley) Commission's investment recommendations would replace the present system (which invites the description of "ghost funding") with marketable securities of provincial Crown corporations having tangible and creditable value. The discipline of regular capital markets would discourage unnecessary government borrowing and would also ensure a market rate of return for the plan and a definite schedule for repayment of government oblgations.
>
> Since the fund available for investment under the recommended pay-as-you-go design will be small compared with any full or partial funding design, there is no danger that CPP transactions will involve the government in swamping or controlling Canadian capital markets."

The Haley Commission recommended that:

> "The Canada Pension Plan be funded on a pay-as-you-go basis, with a contingency fund maintained at the level required to satisfy twice the year's benefit and administrative cost pay-out three years in advance.
>
> The existing combined contribution rate of 3.6 percent continue unchanged until such time as the existing fund is reduced to the level required to satisfy twice the year's benefit and administrative cost pay-out three years in advance.
>
> When an increase in contribution rates on a pay-as-you-go basis is required there be a gradual phasing-in of increases to approximate pay-as-you-go rates by setting contribution rates six years in advance of such changes, to maintain a contingency fund at all times equal to twice the year's benefit and administrative cost pay-out three years in advance.

> Until the existing fund is reduced to the level required by the recommendations, the CPP fund be operated on the Fund C basis outlined in Statutory Actuarial Report No. 6 for the CPP, with actual payment of interest on borrowing to be made after excess funds above the level pay-out three years in advance are no longer available for lending to the provinces.
>
> The CPP fund be operated on the Fund C basis so that no repayment of capital of the fund is required from the provinces except on a call basis to satisfy the purposes of the contingency fund.
>
> There be no increases to the benefit formula under the CPP without an increase in contribution rates on a pay-as-you-go basis with a contingency fund to satisfy twice the year's benefit and administrative cost pay-out three years in advance, to cover the full cost of such increased benefits without regard to any excess funds on hand resulting from existing funding procedures."

The Haley Commission further reported, among other things, the following:

> "Since the CPP is fulfilling the social role required of government by providing, with other government programs, nearly 100 percent replacement income for those working below or at the Average Industrial Wage, that the Government of Ontario resist any steps to increase the existing levels of retirement benefit and survivor benefits under the CPP, or alter the existing goal of 25 percent of the Average Industrial Wage for those at the YMPE, and that such benefits continue to be financed by equal contributions by employer and employee."

This quotation is cited despite the fact that it is apparently in opposition to the views of the Nova Scotia Commission. The quoted paragraph contains a qualification (which is here underlined) that is most significant. While it is true that those working at or below the Average Industrial Wage can, in some circumstances, receive nearly 100 percent replacement income, it is equally true that this can only be achieved through funds supplied by the GIS, a social welfare payment.

The Commission regards the continued reliance on the GIS to provide a substantial portion of the cost of maintaining Canada's elderly to be a demonstration of the failure to provide retirement income through a contributory system. This is contrary to the announced intention of the Guaranteed Income Supplement when the subject was introduced in the House of Commons on December 5, 1966 by the then Minister of National Health and Welfare, the Hon. Allan MacEachen.

Accepting the findings of the Haley Commission on the solvency of the Canada Pension Plan, the Commission examined the question of ability to pay the required increases in the contributions to the CPP.

The projected contributions to cover an employee at a salary of $15,000 would be $780 per year with the employee being responsible for $375 per year (or $7.21 per week) and the employer paying $405 ($7.78 per week), compared to a present rate of $475.20 per year with the cost shared equally by employer and employee for a weekly cost of $4.57 per week each. This will mean an increase of $2.64 per week for each employee in that wage category and an increase of $3.21 per week for the employer.

Effective January of 1983, the Government of Canada imposed a substantial increase in Unemployment Insurance premiums. For an employee earning $15,000 a year, the rate increased from $247.50 per year ($4.76 per week) to $345 (or $6.63 per week). The employer's contribution moved from $346.50 ($6.66 per week) to $483.00 ($9.29 per week).

UIC premiums are collected on earnings between $77 and $385 per week (1983). If an employee worked at least 15 hours and earned less than $77, UIC contributions would be required on his income as well. The rates, income ranges, and number of hours are adjusted periodically, usually on an annual basis.

In 1982, an employee was required to contribute 1.65 percent of his insurable earnings. The employer then contributes 1.4 times the amount of each employee's contributions.

In 1983, the employee percentage has risen to 2.3 percent, while the employer will continue to pay 1.4 times the employee's contributions. UIC premium costs for employers have gone up 40 percent in 1983. The annual income limit (based on a 52 week pay period) is $20,020. The following table illustrates UIC costs on selected incomes in 1982 and 1983.

UIC PREMIUMS

	Employee		Employer	
	1982	1983	1982	1983
$10,000	$165.00	$230.00	$231.00	$322.00
$15,000	247.50	345.00	346.50	483.00
$20,000	300.30	460.00	420.42	644.00

At these rates, while the premiums paid by the worker are high, those levied against the employer represent a substantial increase in overhead costs.

These increased costs lie more lightly on the employer who hires workers on a seasonal basis because such an employer knows that without the flow of benefits in times of unemployment, the workers would demand higher wages, thus greatly increasing his costs. The employer who provides stable employment must bear the brunt of the costs of the increased contributions. The same is true of employees in stable employment. Judging by the lack of protest against these heavy increases, it must be assumed that Canadian business concerns have the financial ability to absorb these increased costs.

The ability of the employees to pay for such charges, including the ability to absorb increases in CPP contributions, is difficult to determine except as measured by Statistics Canada on an average basis. In an attempt to determine such ability to pay, figures of family expenditures as produced by Statistics Canada in 1975 where examined. Of particular interest are the figures for the purchase of non-essentials such as liquor, tobacco and lottery tickets.

TABLE 73

EXPENDITURE BY FAMILIES AND UNATTACHED INDIVIDUALS ON ALCOHOLIC BEVERAGES, TOBACCO, AND LOTTERY TICKETS BY INCOME CLASSES, CANADA 1978

	All Classes	Under $6,000	$6,000 - $7,999	$ 8,000 - $11,999	$12,000 - $15,999	$16,000 - $19,999	$20,000 - $24,999	$25,000 - $29,999	$30,000 - $34,999	$35,000 And Up
No. of Households	7,568,330	782,850	541,310	895,350	1,055,030	1,097,850	1,136,540	841,820	492,020	725,550
Avg. Age of Head	46.0	60.6	59.0	48.2	43.3	40.8	41.0	41.2	43.3	45.0
Percentage Age of Head Under 45	51.1	20.4	23.5	46.2	54.5	64.1	65.3	62.1	56.3	48.0
45 to 64	31.8	25.5	24.1	25.7	33.3	29.6	29.3	34.5	39.4	48.9
65 and Over	17.1	54.1	52.3	28.1	12.2	6.4	5.4	3.4	4.3	3.1
Avg. Household Income	$19,583	$4,144	$6,962	$9,948	$14,015	$17,944	$22,372	$27,428	$32,261	$46,050
Avg. Dollar Spent on: (Percentage)*										
Alcoholic Beverages	359.50 (1.8)	88.90 (2.1)	140.20 (2.0)	232.60 (2.3)	313.50 (2.2)	352.70 (2.0)	421.60 (1.9)	490.20 (1.8)	527.80 (1.6)	685.40 (1.5)
Tobacco	254.10 (1.3)	98.30 (2.4)	162.70 (2.3)	211.40 (2.1)	263.80 (1.9)	275.80 (1.5)	296.70 (1.3)	300.10 (1.1)	328.10 (1.0)	326.10 (0.7)
Lottery Tickets	71.50 (0.4)	20.50 (0.5)	35.10 (0.5)	51.80 (0.5)	65.10 (0.5)	70.80 (0.4)	86.70 (0.4)	90.10 (0.3)	100.90 (0.3)	122.80 (0.3)
TOTAL	685.10 (3.5)	207.70 (5.0)	338.00 (4.8)	495.80 (4.9)	642.40 (4.6)	699.30 (3.9)	805.00 (3.6)	880.40 (3.2)	956.80 (2.9)	1,134.30 (2.5)

*Percentage of Average Household Income

SOURCE: Statistics Canada: Family Expenditure in Canada, Volume III, 1978.

TABLE 74

EXPENDITURES BY FAMILIES AND UNATTACHED INDIVIDUALS ON TOBACCO AND ALCOHOL BY AGE OF HOUSEHOLD HEAD

CANADA 1978

	All Classes	Under 25	25-34	35-44	45-54	55-64	65 And Over
No. of Households	7,568,330	597,260	1,833,460	1,438,440	1,276,560	1,131,030	1,291,580
Average Age Of Head	46.0	22.3	29.6	39.3	49.5	59.4	72.7
Average Income Before Taxes	$19,582.60	$14,405.20	$20,935.70	$24,243.80	$24,728.90	$19,129.70	$10,174.70
Average Dollar (Percentage) Spent on:							
Tobacco and Alcoholic Beverages	$613.60 (3.1)	$684.60 (4.75)	$670.30 (3.2)	$669.00 (2.76)	$781.20 (3.2)	$596.20 (3.1)	$288.10 (2.8)

SOURCE: Statistics Canada: Family Expenditures in Canada, Volume III, 1978.

TABLE 75

AGE OF HOUSEHOLD HEAD BY INCOME CLASS

CANADA, 1978

		Under $8,000	$ 8,000-$15,999	$16,000-$24,999	$25,000 And Up
Average Income		$5,295.98	$12,147.99	$20,196.34	$35,143.45
Age of Head-Under 45: No. of Households (3,869,160)		286,909	988,643	1,445,883	1,148,041
Percentage		7.4	25.6	37.4	29.6
Cumulative Percentage*		7.4	33.0	70.4	100.0
Age of Head-45 to 64: No. of Households (2,407,590)		330,082	581,430	657,970	839,078
Percentage		13.7	24.2	27.3	34.8
Cumulative Percentage		13.7	37.9	65.2	100.0
Age of Head-65 and Over: No. of Households (1,291,580)		706,627	380,307	131,635	72,271
Percentage		54.7	29.5	10.2	5.6
Cumulative Percentage		54.7	84.2	94.4	100.0
TOTALS	Number	1,323,618	1,950,380	2,235,488	2,059,390
(7,568,330)	Percentage	17.5	25.8	29.5	27.2
	Cumulative Percentage	17.5	43.3	72.8	100.0

*Cumulative Percentage: The percentage of families (grouped by their age of head) whose income falls into a class or a lower income class.

SOURCE: Statistics Canada, Family Expenditures in Canada, 1978, Volume III.

Several points in the preceding table should be noted:

1. Percentage of expenditures on "Tobacco and Alcoholic Beverages" varied with age as well as income. Over all income classes, 3.1 percent of expenditure was for the above. Those under 25 years of age spent 4.4 percent while those 35 to 44 spent 2.8 percent of family expenditures on tobacco and alcohol.

2. The Average Industrial Wage (1978) was $13,798.00 as compared to $18,800 in 1982.

3. Current expenditures exceeded current income in the first four income classes (lower incomes). As illustrated, the average family in those income classes operated in a deficit position in 1978.

TABLE 76

ANNUAL CPP CONTRIBUTIONS AT PRESENT AND PROPOSED CONTRIBUTION RATES

INCOME	PRESENT CPP		RECOMMENDED CPP*	
	Employee	Employer	Employee	Employer
	(1.8 Percent)		(2.5 Percent)	(2.7 Percent)
$ 5,000	$ 57.60	$ 57.60	$125.00	$135.00
$10,000	$147.60	$147.60	$250.00	$270.00
$15,000	$237.60	$237.60	$375.00	$405.00
$20,000	$300.60	$300.60	$462.50	$499.50
$30,000	$300.60	$300.60	$462.50	$499.50
$40,000	$300.60	$300.60	$462.50	$499.50

NOTE: YMPE = $18,500
YBE (for Present CPP) = $1,800

*Contributions are based on the assumption that Recomendation No. 10 is adopted by the Provincial and Federal Governments with YBE eliminated.

From the foregoing, it is apparent that in the income class covering those earning at or near the Average Industrial Wage ($16,000 - $19,999), the average annual expenditure on the listed non-essentials is approximately $700 per year. The suggested increase in the Canada Pension Plan contributions will amount to $120 for those earning the AIW thus decreasing the amount available for purchases including the listed non-essentials.

Another factor to be considered is the effect on those persons who are now members of an occupational pension plan. These presumably would not contribute any more to pensions by reason of the suggested change in the CPP. It is expected that they will divide their pension contributions to their own plan and the CPP on a different basis.

For the 60 percent of the work force who do not enjoy the benefits of participating in an occupational pension plan, there will be an increase in payments to provide for their pensions at age 65.

Table 77 on page 273 shows the contributions to occupational pension plans being almost $7.6 billion with $4.97 billion being contributed by employers and $2.6 billion being paid in by employees.

There are several reasons why the employer's contribution is almost double that of the employees even though it is usual to assume that both parties contribute equally to the pension plan. The first and most obvious reason is that there are many plans to which employees do not make a direct and definable contribution; second, in many cases, the employer would be contributing additional monies to fund past service benefits and finally, in some cases, the employer assumed a greater share of the cost of providing pensions.

Of the 4,475,429 members covered by private pension plans in Canada in 1979, 1,345,701 or about 30 percent were in plans where the employees made no direct contributions. From these figures, it can be assumed that the expansion of the Canada Pension Plan as recommended in this report will not prove to be too onerous on those employers who sponsor a non-contributory pension plan, provided that such are now integrated with the Canada Pension Plan, in fact, they could show a reduction in costs. In 1980, 68.7 percent of members in occupational pension plans were in plans integrated with the Canada Pension Plan.

It is obvious from the foregoing that employers who do not sponsor pension plans are those who will have greater increased costs if the Canada Pension Plan is expanded as recommended.

INVESTMENT OF CPP FUNDS

Another concern expressed by corporations is over the amount of money which would be diverted from the capital markets if an increase in the CPP contribution rates was introduced.

The Commission endorses the suggestion of the Haley Commission that the Canada Pension Plan be on a pay-as-you-go basis with a contingency fund equal to two years pay-out of benefits and three years of administrative costs. The Commission is of the opinion that, in the event of any expansion of the premium base of the CPP, one-half of the fund be made available to the Provinces on loan as at present and the balance be invested in the private sector through selected representatives of the investment community.

The report of the Haley Commission, in briefly commenting on the merits of a fully funded CPP, did suggest several methods of investing the immense pool of money which would result.

> "Despite the manifold management problems inherent in a system in which an enlarged CPP would invest in equities, it would in principle be possible to avoid or minimize some of the problems. As an example, instead of having one monolithic agency administering the investment of a large pool of funds, it may be preferable to hire a large number of private investment groups to administer separate small segments of the entire investment pool. Another version of this plan could perhaps involve the sale of rights to manage various blocks of the investment pool to private managers. As an example of the latter alternative, one could visualize Ottawa requesting tenders from private pension funds or investment houses, with the bidding occurring on the basis of paying a rate of return for a fixed block of money accumulated in the pension plan. The highest bids that exhausted the entire pool would be accepted. With a little ingenuity, many other possible schemes for decentralizing the investment decision could be devised." [1]

The Haley Commission rejected the suggestion that the CPP be a fully funded plan but the idea that the CPP funds be invested through the private market was deemed to have merit.

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[1] Report of the Royal Commission on the Status of Pensions in Ontario, Volume V - Ontario and the Canada Pension Plan, Page 188.

The Nova Scotia Royal Commission on Pensions considered a plan for the channeling of CPP premiums through the private investment market in a manner which should produce better results. It takes into consideration the objections of the financial community. It has been alleged by many financial institutions that any increase in Canada Pension Plan premiums or an expansion of the Canada Pension Plan would result in a large pool of money being diverted from investment in the general Canadian community and thus not available for business expansion and job creation.

The Commission's proposal, if accepted, would counter these arguments and would make these funds available for investment in stocks, bonds, mortgages and other financial instruments. Under the Commission's suggested plan the leading money managers in Canada would be selected to invest funds entrusted to them on behalf of the Canada Pension Plan. The central idea was that common ground rules be established and that their continued position on the panel would be dependent upon investment returns.

The Commission recommends that:

13 - ONE-HALF OF THE MONIES CONTRIBUTED TO THE CANADA PENSION PLAN BE PLACED IN THE CARE OF TEN OF CANADA'S LEADING MONEY MANAGERS (SUCH HAVING BEEN ESTABLISHED BY EXAMINATION OF RETURN ON PRIVATE FUNDS ENTRUSTED TO THEIR CARE OVER THE PRECEDING FIVE YEARS) WITH THE EXPRESS

PURPOSE OF PRODUCING THE HIGHEST POSSIBLE RETURNS ON SUCH MONIES SUBJECT TO THE FOLLOWING RULES:

A) THAT EACH SELECTED AGENT BE ASSIGNED 10 PERCENT OF ONE-HALF OF THE FUNDS COLLECTED BY WAY OF CONTRIBUTIONS TO THE CPP, AND

B) THAT THE AGENTS INVEST NO MORE THAN 10 PERCENT OF FUNDS ENTRUSTED TO THEM IN COMMON STOCKS OF CANADIAN CORPORATIONS, AND

C) THAT NO AGENT INVEST MORE THAN 10 PERCENT OF ENTRUSTED FUNDS OUTSIDE OF CANADA, OF WHICH NO MORE THAN 10 PERCENT IS TO BE INVESTED IN COMMON STOCKS OF FOREIGN CORPORATIONS, AND

D) THAT ALL INVESTMENTS, SUBJECT TO THE FOREGOING, BE SUCH AS WOULD BE PERMITTED TO A TRUSTEE OF A PENSION FUND OPERATING UNDER LAWS ESTABLISHED BY CANADA, AND

E) THAT EVERY EFFORT BE MADE, CONSISTENT WITH THE PRIMARY OBJECTIVE OF PRODUCING MAXIMUM RETURNS ON INVESTED FUNDS, TO INVEST SUCH FUNDS IN ALL PROVINCES OF CANADA IN PROPORTION TO THE CONTRIBUTIONS IN EACH PROVINCE, AND

F) THAT EVERY THREE YEARS THE INVESTMENT RECORD OF THE SELECTED MONEY MANAGERS BE EXAMINED AND THE COMPANY PRODUCING THE LOWEST YIELD BE DROPPED FROM THE PANEL AND BE REPLACED BY ANOTHER FROM THE FINANCIAL COMMUNITY, CHOSEN AS WERE THE ORIGINAL TEN.

PRIVATE SAVINGS AND AN EXPANDED CPP

It has been alleged that the assumption by government of a greater role in the provision of retirement income will result in a reduction in personal savings and thus a reduction in funds available for capital investment in Canada. No evidence has been uncovered to show that the resulting drop would be significant.

In an article prepared by Michael Daly and Peter Wrage for the Economic Council of Canada in 1981,[1] it was concluded from their findings that an increase of 1 percent in real future benefits (adjusting for inflation) from the Old Age Security in 1975 would have reduced employer-sponsored pension savings by $56.8 million and gross RRSP contributions by $2.3 million. These effects are relatively small when compared to the $28.4 billion in total assets in employer-sponsored pension plans and $6.9 billion in accumulated gross RRSP contributions in 1975 (.2 percent and .03 percent respectively).

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[1] Discussion Paper #203, prepared for the Economic Council of Canada, "The Impact of Canada's Old Age Security Program on Retirement Saving, Labour Supply and Retirement", by Michael Daley and Peter Wrage, 1981.

The following table shows the number of contributors and their contributions to the C/QPP, private pension plans and RRSP's in 1979:

TABLE 77

COMPARATIVE STATISTICS, CANADA AND QUEBEC PENSION PLANS PRIVATE PENSION PLANS AND REGISTERED RETIREMENT SAVINGS PLAN

1979

Retirement Program	Number of Contributors	(1) Total Contributions
C/QPP	10,412,026	$3,087,000,000
Private Pension Plans	4,475,429	(2) 7,584,631,000
RRSP's	1,725,959	3,091,044,000

(1) It is noted that for the first time the 1979 figures show contributions to RRSP's to be greater than employee contributions to private pension plans and greater than the combined contributions of employers and employees to the Canada/Quebec Pension Plans.

(2) Employer's Contributions - $4,973,322,000
Employee's Contributions - $2,611,309,000

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[1] Pension Plans in Canada, 1981, Statistics Canada, Catalogue #74-401, Pgs. 88-89

[2] Ibid.

Slightly over $3 billion was contributed to RRSP's in 1979. These funds were invested through the private sector. In total, over $10.5 billion out of a total of $13.75 billion in funds reserved for pension purposes in 1979 was invested through the private sector. It is evident from these figures that a considerable portion of the funds now contributed to pension plans is available for investment through the investment community. It is further noted that only a small percentage of the retirement income of those now retired is drawn from private pension plans. With only a very low rate of withdrawal, pension funds available for investing through the private sector will continue to grow.

It has been claimed that private savings for retirement will be significantly reduced if CPP benefits and premiums are increased.

It is to be expected that private pension plan expansion will not continue at the same level as that experienced in the period from 1960 to 1980. The introduction of the Canada/Quebec Pension Plans in 1966 did not result in the demise of the so-called "pension industry", neither is there any evidence to suggest that there would be any meaningful decline in funds so invested if the Canada Pension Plan was expanded along the lines suggested.

A substantial portion of the Canada Pension Plan contributions will be available for the capital markets if the recommendation of the Commission is accepted and there is no evidence to suggest that there will be any reduction in the rate of individual savings if the CPP contribution rate is raised as recommended in this Report.

Bill C-136 introduced in the House of Commons on November 9, 1964 provided the legislative intiative for the adoption of the Canada Pension Plan (Quebec having opted out to maintain and operate a parallel plan - the Quebec Pension Plan). Bill C-136 contained an amending formula whereby the Federal Legislation could only be amended with the approval of two-thirds of the provinces having two-thirds of the affected population and requiring three years notice of changes in contribution rates and benefit levels. The measure was incorporated principally at the insistence of Ontario which feared that parliament might act against the interest of the provinces. The Federal Government conceded the point. The concession in effect gave Ontario a veto since that province has a large enough population to deny the two-thirds approval when all other provinces have agreed. Ontario exercised its veto on one occasion, in the matter of the child-rearing drop-out proposal. The requirements of three years notice for amendments has been waived up to now by unanimous consent of the provinces. In the light of this veto power of the Province of Ontario and the recommendations of the Select Committee of the Ontario Legislature regarding the PURS proposals and an expanded CPP, any recommendation that the Canada Pension Plan be expanded must be regarded as only one option in the process of improving the planning for retirement income.

CPP/QPP AND PROVINCIAL BORROWING

The national office of the Canadian Union of Public Employees commissioned two Montreal economists to prepare a study on provincial borrowing of surplus CPP funds in order to determine how much is borrowed and how these funds are allocated by the provincial governments. Surplus funds result from an excess of contributions over benefit payments and are loaned back to the provinces in direct proportion to the contributions made by their residents. The economists stated in their report that Nova Scotia received approximately one-half of surplus funds available to the Atlantic Provinces.

Table 78 contains figures found in Table II of the appendix to the CUPE brief submitted June 15, 1982. In addition to these dollar amounts, the percentages of funds for each Atlantic Province for each of the periods has been calculated. The exact percentage of surplus funds available to the Atlantic Provinces that goes to Nova Scotia ranged from 42.0 percent to 42.8 percent.

Table 80 uses figures from the 1979 Taxation Year Statistics in order to compare CPP contributions and benefits in each of the Atlantic Provinces. Except for Newfoundland, each of the Provinces had more benefits paid to their residents than contributions made to the CPP.

TABLE 78

FUNDS INVESTED BY CPP/QPP IN SECURITIES OF PROVINCIAL GOVERNMENTS

(in millions of dollars)

ATLANTIC PROVINCES

	1966-67		1967-71		1971-72		1972-73		1973-74		1974-75		1975-76		1976-77		TOTAL	AVG
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%		
NFLD	11.0	21.6	59.3	20.8	17.6	21.0	19.0	21.1	21.7	21.2	25.8	21.5	29.4	21.6	31.0	21.8	214.8	21.3
PEI	1.9	3.7	12.0	4.2	3.6	4.3	3.8	4.2	4.3	4.2	5.3	4.4	6.0	4.4	6.4	4.5	43.3	4.3
NS	21.4	42.0	121.3	42.6	35.7	42.7	38.6	42.8	43.8	42.7	50.9	42.3	57.3	42.2	59.7	42.0	428.7	42.4
NB	16.7	32.8	92.2	32.4	26.8	32.0	28.8	31.9	32.8	32.0	38.3	31.8	43.2	31.8	45.2	31.8	324.0	32.1
TOTAL	51.0		284.8		83.7		90.2		102.6		120.3		135.9		142.3		1,010.8	

SOURCE: Appendix, CUPE Brief submitted to the Nova Scotia Royal Commission on Pensions, June 15, 1982.

TABLE 79

CPP INVESTMENT FUND ACCOUNT FOR NOVA SCOTIA 1965 - 1980

(dollar figures in millions)

Fiscal Year	Accumulation	Total
1965 - 1966	1.2	1.2
1966 - 1967	21.4	22.6
1967 - 1968	25.2	47.8
1968 - 1969	29.2	77.0
1969 - 1970	31.6	108.6
1970 - 1971	34.0	142.6
1971 - 1972	35.7	178.3
1972 - 1973	38.6	216.9
1973 - 1974	43.8	260.7
1974 - 1975	50.9	311.6
1975 - 1976	57.3	368.9
1976 - 1977	59.7	428.6
1977 - 1978	62.9	491.5
1978 - 1979	68.2	559.7
1979 - 1980	73.9	633.6

SOURCE: Canada Pension Plan Report for the year ending March 31, 1980, Pg. 31

TABLE 80

ALL RETURNS BY PLACE OF RESIDENCE

(ATLANTIC PROVINCES)

1979 TAXATION YEAR

Province	Total CPP Contributions	Percentage	Total Benefits	Surplus
N.S.	46,492,000	41.2	57,504,000	-11,012,000
N.B.	35,137,000	31.1	43,380,000	- 7,243,000
NFLD.	25,419,000	22.5	18,317,000	7,102,000
P.E.I.	5,902,000	5.2	5,982,000	- 80,000
TOTAL	112,950,000	100.0	124,183,000	-11,233,000

SOURCE: Revenue Canada Taxation - 1981 Taxation Statistics, Pgs. 100-105.

In the past few years, a number of suggestions have been made that public pension plans be used to provide mortgage funds at lower than the market rates. These suggestions have been advanced by some heads of labour unions. In a series of articles published in the Toronto Star in 1982, the President of The National Organization of Provincial Government Employees made such a suggestion.

The Commission, through this Report, has consistently supported the basic thesis that pension funds are trust funds to be invested in the most prudent manner with every effort made, consistent with the laws having control over such funds, to secure the best returns for the beneficiaries of such plans.

This legal responsibility on the fund's trustees, therefore, rules out the use of pension funds for subsidized mortgage loans or for any other subsidy.

Despite these legal restrictions on the occupational plans subject to federal and provincial laws, the funds of the Canada Pension Plan are loaned to the provinces (with the exception of Quebec) at rates that are lower than those that could be achieved in the market place. This condition exists because in the discussions leading up to the introduction of the CPP the added incentive to make the CPP funds available to the provinces in the form of loans secured by the credit of the various provinces was an inducement to secure the constitutional consent of the provinces.

It has been argued that the ability to borrow funds from the CPP and the borrowing of additional funds to repay the interest on these borrowings has reduced the necessity to raise taxes for provincial capital purposes and, hence, the taxpayers are the ultimate beneficiaries of this method of investing the funds of the Canada Pension.

In this Report, in the section concerning the investment of the CPP funds, in the event that the benefits and contributions are increased by 50 percent, the Commission recommends a change in the investment policy by assigning 50 percent of the funds in the manner as described on page 270.

The Commission is concerned that the present attitude of the provinces towards the availability of funds from the CPP will undermine public confidence in the Canada Pension Plan. The provinces should recognize the national social objectives of the CPP, give priority to those objectives and take action to avoid any suggestion that the borrowing of funds from the CPP is not compatible with that national social interest.

The main criticism is that the funds have been lent to the provinces at less than the interest rate the province might have had to pay on the open market, and that the funds so loaned to the provinces have been used for general expenditures rather than in income producing investments. As a result, the interest payments and the maturities on the bonds must be financed out of provincial revenues, and the costs fall on the taxpayers.

The Commission suggests that the interest rate paid be at a level above that on long term federal bonds, the difference being the average historical difference between federal and provincial bonds. The same rate will apply to all provinces. As a result of variations in borrowing rates between provinces, some provinces will borrow at marginally lower rates than they would otherwise be able to, and some at marginally higher rates.

The Commission suggests that, in future, all monies lent directly by the CPP to the provinces, including any upon the maturity of existing obligations, be invested in bonds of government agencies or crown corporations that would normally be expected to repay the interest and maturity value out of operating revenues. Examples would be power corporations, toll bridge or toll highway commissions, agencies lending money to small businesses, etc. This would not apply to investments in provincial bonds made from the funds managed by the private sector.

The Commission recommends that:

14 - **THE INVESTMENT STRUCTURE OF THE CPP BE ALTERED TO ENSURE THE RECEIPT OF MARKET RATE OF INTEREST ON THE CAPITAL OF THE FUND AND TO ENSURE A CONTROL OF INVESTMENT THROUGH LINKS WITH NORMAL MARKET PRACTICES, BY ADOPTING THE FOLLOWING PROCEDURES:**

A) ALL FUTURE LOANS MADE DIRECTLY FROM THE CPP TO THE PROVINCES, INCLUDING ANY UPON THE MATURITY OF EXISTING PROVINCIAL UNDERTAKINGS, SHOULD BE IN THE FORM OF A 20 YEAR NEGOTIABLE BOND WITH A FIXED MATURITY DATE ISSUED BY A PROVINCIAL CROWN CORPORATION OR AGENCY, GUARANTEED BY THE PROVINCE, AND ACCOMPANIED BY A CERTIFICATE OF THE TREASURER OF THE PROVINCE THAT THE PROCEEDS OF SUCH BONDS ARE BEING USED TO INVEST IN UNDERTAKINGS THAT CAN EXPECT TO REPAY THE PRINCIPAL AND INTEREST OUT OF EARNINGS;

B) THE INTEREST RATE ON SUCH NEW SECURITIES SHOULD BE AT THE MARKET RATE PLUS 0.75 PERCENT DETERMINED BY THE AVERAGE RATE PREVAILING IN THE 20 PRECEDING TRADING DAYS ON THE OUTSTANDING LONG-TERM DEBT, ISSUED BY OR GUARANTEED BY THE FEDERAL GOVERNMENT, DENOMINATED IN CANADIAN DOLLARS;

C) ALL FUNDS DECLINED BY THE PROVINCES IN ANY MONTH SHOULD BE INVESTED IN

90-DAY TREASURY BILLS OF THE PROVINCE CONCERNED, OR OF THE FEDERAL GOVERNMENT IF NO PROVINCIAL BILLS ARE AVAILABLE, UNTIL SUCH TIME AS THE PROVINCE TAKES UP THE FUNDS AGAINST THE SECURITIES OF A PROVINCIAL CROWN CORPORATION OR AGENCY AS STIPULATED IN SECTION A.

In the event that it is not possible to secure the approval of the required number of provinces for the upward revision of the CPP as recommended in the majority report of the Commission, it is suggested that Recommendation Numbers 13 and 14 be accepted as the basis of the investment of future contributions to the CPP.

Therefore, the Commission recommends that:

15 - THE PROVINCE OF NOVA SCOTIA ACCEPT THE THESIS THAT ONE-HALF OF THE FUNDS COLLECTED THROUGH CONTRIBUTIONS TO THE CANADA PENSION PLAN BE INVESTED IN THE PRIVATE SECTOR AS SET OUT IN RECOMMENDATION 13 AND SO ADVISE THE GOVERNMENT OF CANADA.

PENSION PLAN COVERAGE BEYOND CPP LIMITS

If the provinces can agree to increase the contributions to and benefits from the Canada Pension Plan as outlined in this Report, coverage by occupational pension plans beyond the limits of the CPP will continue to be in the interests of the people of the province. If no agreement can be reached, occupational pension plan coverage will assume greater importance. Changes in pension regulatory legislation will become imperative with or without any such agreement.

MULTI-EMPLOYER PLAN

It is deemed advisable that the Province of Nova Scotia enact legislation to establish a multi-employer pension plan in line with the Manitoba Legislation proposed for the establishing of the Voluntary Employer Pension Plan in that province.

This would be of great assistance to employees of small businesses in Nova Scotia. Surveys covering the manufacturing sector in Nova Scotia and the membership of the Halifax Board of Trade indicate that such a plan would be welcomed by many businesses. Commission studies show that the larger business operators with many employees have fairly well established plans. Such is not the case in small business establishments of less than 30 persons. In a 1982 survey of 27 manufacturing firms employing over 100 workers, 25 have pension plans covering 7,000 workers which is 74.8 percent of those surveyed who are covered by occupational pension plans, or about one-half of all those included in the survey.

In the survey conducted by the Halifax Board of Trade covering 202 companies with 58,896 employees, over 90 percent of the respondents indicated they believed that too many Canadians will receive inadequate pension benefits in the future.

In response to the question, "Would it serve a useful purpose if a scheme to provide one central pension scheme (in addition to the Canada Pension Plan) would be made available to companies with less than 20 employees?", over 73 percent replied in the affirmative, convinced that the creation of such a general plan would serve a useful purpose and could be beneficial for the employers and their employees in the Province of Nova Scotia.

The Commission recommends that:

16 - **THAT THE GOVERNMENT OF NOVA SCOTIA SEEK LEGISLATIVE APPROVAL TO PROVIDE FOR THE CREATION OF A MULTI-EMPLOYER PENSION PLAN SIMILAR TO THAT PROPOSED FOR THE PROVINCE OF MANITOBA AND DESCRIBED AS THE "VOLUNTARY EMPLOYER'S PENSION PLAN."**

CHANGES IN PENSION REGULATORY LEGISLATION

With or without any changes in the CPP, it is desirable that pension regulatory legislation be enacted to better protect the pension contributions of Nova Scotians, to upgrade existing occupational pension plans and to provide more definite guidelines for the establishment and management of occupational pension plans coming under the purview of the provincial government.

Many submissions to the Royal Commission on Pensions stressed the need to amend legislation to regulate occupational pension plans particularly in the area of: 1) Earlier Vesting; 2) Improved Portability; 3) Better Flow of Pension Plan Information; 4) Employee Participation in Plan Management; 5) Eligibility to Join Pension Plan; 6) Expansion of Survivors' Benefits; 7) Preservation of Purchasing Power of Pensions; and 8) Uniformity of Provincial Pension Legislation.

The tables in the preceding section showing the relationship of post-retirement income to current earnings clearly demonstrate that those earning above the Average Industrial Wage must put aside some of their income if they are to maintain a relative lifestyle in retirement.

The figures clearly demonstrate a need for expanded pension coverage and do show that there would, in these circumstances, be an area in which the so-called private pension industry could find a fertile field.

1979 is the most recent year for which detailed tax figures are available. In that year, the AIW was almost $15,000. Using the figures from the 1979 taxable returns, it is noted that 219,101 in Nova Scotia were below the AIW and 117,358 were above that level. Almost 35 percent of those filing taxable returns in 1979 would be either contributors to occupational pension plans or would be prime prospects for such coverage.

Improved coverage would entail an expansion of occupational pension plans and reduction or elimination of qualifying periods for admission to pension plans. The Commission has recommended that a system of tax credits for both sponsoring organizations and contributing workers be urged upon the federal government. In this manner, the lower paid contributor to a pension fund would gain the same advantage as that accruing to those in the higher income tax brackets.

In April 1982, the Canadian Association of Pension Supervisory Authorities (CAPSA) with members from Ontario, Quebec, Saskatchewan, Alberta, Manitoba, Nova Scotia and the Federal Jurisdiction, as well as non-member representatives from British Columbia, New Brunswick and Prince Edward Island, produced a report on Pension Regulatory Legislation.

This Association is not a decision making body and the conclusions of its members are not binding on the jurisdictions they represent. It must be recognized, however, that CAPSA, together with the supporting staff of the many jurisdictions, represents a body of knowledge in the field of pension regulatory legislation that cannot be duplicated. The CAPSA Report on pension regulatory legislation is a valuable reference source and it was of assistance to the Commission in the drafting of a number of recommendations.

EARLIER VESTING

Vesting is the process whereby the contributions of the pension plan sponsor as well as the contributions of the worker become immutably the property of the workers subject to the general rules that such contributions are reserved to pay a retirement benefit at some predetermined time.

It has been stated many times that the present vesting rules result in unfair treatment of the worker who is subjected to frequent changes in employment, often through no fault of his own. It has been claimed that many workers, although employed at various times in their work career by companies with pension plan coverage are, through existing vesting provisions, denied the benefit of the employer's contributions. It is possible, under existing conditions, for a worker to contribute to pension funds of various employers and at retirement age realize that the benefits of the contributions of the employers are not available for a pension benefit.

In Nova Scotia, only 5.6 percent of the plans covering 1.1 percent of the members provided for immediate vesting of employers' contributions. Of the remaining members, 68 percent are vested when they achieve 10 years or less of service or participation, 8.5 percent are vested after 11 to 19 years, 2.1 percent are vested after 20 years or more, 10.4 percent are vested according to other age, service or participation conditions, while 9.9 percent of plan members have no vesting provisions other than the general provisions of the Nova Scotia Pension Benefits Act.

Anything short of immediate vesting tends to undermine the principle that pensions are a form of deferred wages. If all contributions are not vested in the employee then, upon termination of service, only the employees' contributions (plus minimal interest) will be refundable and the employer's contributions can be used to reduce corporate liability for contributions with respect to other employees. When this occurs, employees who terminate prior to being vested are, in fact, subsidizing longer service employees.

Pension legislation in Nova Scotia, covering the 448 plans registered with the Superintendent of Pensions, requires that all employer and employee contributions be vested in the employee after reaching the age of 45 with 10 years of service. In the event of termination of employment prior to retirement, these contributions are vested in the employee and locked into the plan to provide a deferred life annuity commencing at the normal retirement age of the employee. The locking-in provision is designed to ensure that, upon termination of employment, pension funds are used to provide retirement income and not to be used for present consumption.

Unfortunately, most employees who terminate prior to being vested choose the option of a refund of their contributions rather than leave them in the pension fund for a deferred annuity benefit. A 1965 survey of the 243,000 Canadian plan members who terminated employment in that year, showed that fewer than 3 percent retained a deferred pension. For many of these individuals, the option of a deferred pension was not an attractive one because its value would have been eroded by inflation by the time they finally reached retirement age.

Better options than those presently offered are now required. The Commission has recommended the establishment of locked-in RRSP's to which terminating employees could transfer their pension credits - thereby protecting their investment, to some extent, from the ravages of inflation. In addition, a central pension registry might be used to hold the accumulated pension credits of mobile employees as they transfer from one employer to another. This increase in the portability of pensions would ensure that employees reach retirement age with more than a token amount of private pension income.

As the CAPSA Report states,

> **"The general principle to be recognized is that a person should build up pension rights over a working career. This requires the preservation of pension rights and accumulated contributions within the system".**

The CAPSA Report further recommends that any new rules with respect to funding should only apply to future contributions and benefits. This is to avoid any requirement for injection of large contributions by the employers to cover improved benefits arising out of past service.

In line with the CAPSA consensus as contained in its 1982 report, the Commission recommends that:

17 - **THE NOVA SCOTIA PENSION BENEFITS ACT BE AMENDED TO PROVIDE THAT ALL BENEFITS SHALL VEST IN THE PLAN MEMBER AFTER TWO YEARS OF EMPLOYMENT WITH THE EMPLOYER (REGARDLESS OF PERIOD OF MEMBERSHIP IN THE PLAN) OR, IN THE CASE OF A MULTI-EMPLOYER PLAN, AFTER TWO YEARS IN THE PLAN (REGARDLESS OF PERIOD OF EMPLOYMENT WITH THE CURRENT EMPLOYER). HOWEVER, THIS SHOULD APPLY ONLY TO BENEFITS ACCRUING AFTER THE EFFECTIVE DATE.**

ON TERMINATION OF SERVICE BEFORE VESTING, AN EMPLOYEE SHOULD BE ENTITLED TO A REFUND OF HIS OWN CONTRIBUTIONS WITH INTEREST. FOR ANY PERIOD AFTER THE EFFECTIVE DATE OF THE LEGISLATION, THE INTEREST RATE TO BE APPLIED EACH YEAR TO EMPLOYEE CONTRIBUTIONS SHALL BE AT LEAST THE AVERAGE RATE (LESS 100 BASIC POINTS)

ALLOWED DURING THE YEAR BY THE CANADIAN CHARTERED BANKS AS PUBLISHED BY THE BANK OF CANADA. THE RATE OF INTEREST TO BE USED FOR PERIODS PRIOR TO THE EFFECTIVE DATE SHOULD NOT BE PRESCRIBED BY LAW BUT BE LEFT TO THE TERMS OF THE PLAN AS THEY WERE BEFORE ENACTMENT OF THESE PROVISIONS.

FOR NON-INSURED MONEY PURCHASE PLANS, THE MINIMUM INTEREST FOR PERIODS AFTER THE EFFECTIVE DATE WOULD BE THAT ACTUALLY EARNED IN THE FUND RATHER THAN THE FORMULA SET OUT IN THE PRECEDING SECTION.

The basic purpose of any pension plan is to provide retirement income. It is not a savings account to be used for current consumption. To avoid the possibility of a worker being a contributor to a multiplicity of pension plans during a working career but never remaining long enough in any one employ to earn a benefit payable in retirement years, the Commission recommends that:

18 - **ON TERMINATION OF SERVICE AFTER VESTING, AN EMPLOYEE WOULD BE REQUIRED TO TRANSFER THE VALUE OF HIS/HER ACCRUED BENEFIT IN THE PLAN TO:**

A - THE PURCHASE OF A BENEFIT, DEFERRED TO NORMAL RETIREMENT DATE, WITHIN HIS/HER EMPLOYER'S PLAN, OR

B - ANOTHER PENSION PLAN WHICH WOULD LOCK-IN SUCH TRANSFERRED FUNDS, OR

C - A REGISTERED RETIREMENT SAVINGS PLAN WHICH MUST BE A PLAN REQUIRING THAT SUCH FUNDS BE LOCKED INTO A RETIREMENT BENEFIT, OR

D - TRANSFER SUCH FUNDS TO A CENTRAL PROVINCIAL REGISTRY FOR INVESTMENT AND MANAGEMENT FOR THE PROVISION OF A RETIREMENT PENSION AT AGE 65.

IN DEFINED BENEFIT PLANS, THE VALUE OF THE ACCRUED BENEFIT SHALL BE DETERMINED USING THE ACTUARIAL ASSUMPTIONS IN THE MOST RECENT ACTUARIAL REPORT FILED WITH THE SUPERINTENDENT OF PENSIONS. IF THE PENSION PLAN IS NOT FULLY FUNDED, THE MAXIMUM AMOUNT THAT COULD BE TRANSFERRED UNDER B, C, OR D WOULD BE THE VALUE OF THE ACCRUED BENEFIT, MULTIPLIED BY THE FUNDED RATIO OF THE PLAN AS DETERMINED BY ITS ACTUARY AND APPROVED BY THE SUPERINTENDENT OF PENSIONS. THE PLAN SPONSOR IS TO HAVE THE OPTION OF MAKING

A SPECIAL PAYMENT TO ALLOW THE FULL VALUE TO BE TRANSFERRED, PROVIDING THE OPTION IS EXERCISED ON A UNIFORM BASIS.

In accordance with the basic thesis that contributions to a pension plan are for the provision of retirement income, the Commission recommends that:

19 - EXISTING PROVINCIAL PENSION BENEFITS REGULATIONS PERMITTING COMMUTATION OF 25 PERCENT OF PENSION FUND CONTRIBUTIONS BE TERMINATED FOR BENEFITS ARISING OUT OF SERVICE AFTER THE EFFECTIVE DATE.

IMPROVED PORTABILITY

At present, the lack of portability in pension plans, combined with the more restrictive conditions on early vesting of pension rights, works to the disadvantage of the mobile worker. As noted, the average Canadian in the work force will hold seven jobs during a work career. This will mitigate against the building of an occupationally based pension even if all the employers maintained a pension plan because existing vesting regulations would not permit the transfer of pension rights to a new plan.

The Haley Commission of Ontario, recognizing this as a problem affecting present day workers, associated this concern with that of earlier vesting and suggested a general pension agency as a necessity if its recommended mandatory retirement savings plan (PURS) was accepted and suggested that such an agency would have other useful functions as noted in Recommendation 52 of that report. These were to:

> **"receive, hold and invest pension monies arising from the exercise of recommended transfer rights on termination of employment; and**
>
> **to record future pension rights under employment pension plans for all terminated employees, to receive such data from employers, and to provide such data to plan members; and**
>
> **to co-operate with other jurisdictions in establishing a system to provide information on pension rights on a national basis."**

In recent years, the federal government has given leadership in a program designed to provide a greater measure of pension credit portability. Under this program, credits can be transferred from one pension plan to another. Tied into the federal program are most provincial governments, universities and larger municipal units. While this is a very positive step, it will not do much for the average worker.

If the Commission recommendations on earlier vesting are adopted, there will be a multiplicity of small pension accounts retained by companies sponsoring private pension plans. If a central pension agency existed, such companies could divest themselves of the onerous task of management of an account payable in the future to someone who is no longer in their employ.

Although the Commission does not recommend the establishment of a mandatory retirement savings plan as was recommended by the Ontario Haley Commission, it does appreciate the merits of a central pension registry.

The Commission recommends that:

20 - A CENTRAL PENSION REGISTRY BE ESTABLISHED TO RECEIVE, HOLD AND INVEST PENSION FUNDS ARISING OUT OF THE EXERCISE OF RECOMMENDED TRANSFER OF PENSION FUND CREDITS ON TERMINATION OF EMPLOYMENT PRIOR TO RETIREMENT; AND

TO RECORD FUTURE PENSION RIGHTS UNDER EMPLOYMENT PENSION PLANS FOR ALL TERMINATED EMPLOYEES, TO RECEIVE SUCH DATA FROM EMPLOYERS, AND TO PROVIDE SUCH DATA TO PLAN MEMBERS; AND

TO CO-OPERATE WITH OTHER JURISDICTIONS IN ESTABLISHING A SYSTEM TO PROVIDE INFORMATION ON PENSION CREDITS ON A NATIONAL BASIS.

DISCLOSURE

It is unfortunate that many workers believe that occupational pension plans are being manipulated by the employer-sponsors. Many employers help to foster this feeling of mistrust by failing to fully disclose pension plan information.

Full disclosure has two parts. One is the information on the condition of the pension fund and the second is the information applicable to an individual member.

Employers with pension plans coming under federal jurisdiction are required to provide that every employee receive, within 90 days of the effective date of the plan or immediately upon the employees entering the plan, where this is after the 90 days, "an explanation of his rights and obligations, a written description of the plans, provisions and of any amendments, as well as any other prescribed information. (There is at present no other prescribed information.)"

Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan and Alberta have their own provincial Pension Benefits Act. The Yukon and the Northwest Territories have similar enactments. New Brunswick, Prince Edward Island and British Columbia do not have comparable legislation at this time. Newfoundland has introduced a bill to enact a Pensions Benefits Act.

Quebec, Saskatchewan, Ontario and Manitoba have provisions in their regulations for employee access to specific statistical and financial information and to specific plan documents.

It appears that there will be only slight improvement unless disclosure is made mandatory. With the growing acceptance of the concept that contributions to pension plans are a form of "deferred wages held in trust for retirement", workers quite properly believe that they have a right to more information on pension fund management practices and experience.

It does not appear to be too difficult to devise means whereby union representatives or employee delegates could have full access at reasonable times to all information pertinent to the operation of a pension fund in which the employees have a vested interest. Workers have a right to information on the nature and extent of employer contributions, such being made in lieu of other compensation.

Any amendments to the Pension Benefits Act in Nova Scotia must be made with consideration of the conditions which exist in Nova Scotia. At the same time, an effort should be made to ensure some degree of uniformity of pension legislation across the various provincial jurisdictions.

Because of the very large number of small businesses in Nova Scotia, the administrative costs associated with occupational pension plans must be kept at a minimum if employers are to be expected to increase the coverage of employees within the province. In order to keep these costs at a minimum, the information which is to be routinely provided to the members of the plan should only be that which is necessary to permit adequate personal financial planning. The more specialized information, such as actuarial balance sheets, need only be available on request, since it is likely to be of limited value and interest to the average member.

To provide that such information be made available in Nova Scotia to persons covered by any pension plan, the Commission recommends that:

21 - **THE PENSION BENEFITS ACT BE AMENDED TO PROVIDE THAT EVERY MEMBER OF THE PLAN, ACTIVE, RETIRED OR TERMINATED, OR HIS OR HER BENEFICIARY, OR ANY EMPLOYEE WHO IS ELIGIBLE TO JOIN THE PLAN BE PROVIDED WITH A WRITTEN EXPLANATION OF:**

A) THE TERMS AND CONDITIONS OF THE PENSION PLAN;

B) ANY AMENDMENTS TO THE PENSION PLAN THAT ARE APPLICABLE TO THE MEMBER;

C) THE MEMBER'S RIGHTS AND DUTIES WITH REFERENCE TO THE BENEFITS AVAILABLE TO HIM UNDER THE TERMS OF THE PENSION PLAN; AND

D) ANY OTHER INFORMATION THAT MAY BE NECESSARY FOR THE PURPOSES OF CLARIFICATION.

E) PLAN MEMBERS BE PROVIDED WITH ANNUAL STATEMENTS SHOWING THE BENEFITS ACCRUED UNDER THE PLAN, ACCUMULATED EMPLOYEES' CONTRIBUTIONS AND ACCUMULATED EMPLOYER CONTRIBUTIONS UNDER DEFINED CONTRIBUTIONS PLANS, A SUMMARY OF FUND INVESTMENTS AND CURRENT RATES OF RETURN AND SPECIFIC DIRECTIONS FOR OBTAINING ADDITIONAL INFORMATION. IN ORDER THAT SPOUSES MAY BE BETTER INFORMED AS TO THE PENSION BENEFITS ACCRUING TO A PENSION PLAN MEMBER, THE ANNUAL STATEMENT REFERRED TO ABOVE SHALL BE DELIVERED TO THE HOME ADDRESS OF THE PLAN MEMBER.

F) A DETAILED STATEMENT OF ACCRUED RIGHTS OR BENEFIT ENTITLEMENTS BE GIVEN ON TERMINATION OF SERVICE, DISABILITY OR DEATH. INCLUDED IN THIS STATEMENT SHOULD BE THE METHOD OF CALCULATION; A STATEMENT OF EMPLOYEE AND EMPLOYER COST; A CONCISE EXPLANATION OF ALL BENEFIT OPTIONS AVAILABLE TO THE INDIVIDUAL

AND/OR SURVIVING BENEFICIARY; AND SPECIFIC DIRECTIONS FOR APPLYING FOR BENEFITS AND OPTIONS.

G) THE FOLLOWING INFORMATION BE AVAILABLE FROM PLAN ADMINISTRATORS, ON WRITTEN REQUEST:

  I) THE ANNUAL INFORMATION RETURN FILED WITH THE SUPERINTENDENT OF PENSIONS.

  II) A SUMMARY OF THE MOST RECENT ACTUARIAL REPORT.

  III) A LIST OF THE ASSETS OF THE PLAN.

  IV) THE MOST RECENT AUDIT REPORT ON THE FUND.

EMPLOYEE PARTICIPATION IN PLAN MANAGEMENT

Arising out of the matter of disclosure is the issue of employee participation in the Pension Committee.

It appears to the Commission that all of the arguments in favour of disclosure of pension information support the premise that representatives of employees should be part of the process leading up to decisions on investments or changes in the plan itself.

In some cases, contracts with labour unions provide for such participation even beyond the mere consulting phase to that of an active part in the decisions with respect to the type of investments forming part of the pension funds.

It is recognized that there is a strong paternalistic attitude still existing in many corporate structures with respect to pension plans and their operations. It is quite evident that many business executives are reluctant to share not only the basic information on company pension plans, but are also adamant in refusing to permit employee representatives to share in the management of pension plans and funds.

A number of employees of national companies have complained that their employers have been taking advantage of enhanced pension fund earnings by reducing the employer's contributions to their pension plans. In times of economic stagnation and reduced profits, it is understandable that corporations may wish to reduce their contributions to their pension plans and use the funds elsewhere in their operations.

It is appreciated that while employee contributions continue at a fairly constant rate the plan sponsor, having assumed responsibility for the unfunded liabilities in the plan, quite properly uses a portion of enhanced earnings to reduce such unfunded liabilities.

It has been submitted that such enhanced earnings properly belong to the plan and its beneficiaries. It is averred that these higher than projected earnings should be folded back into the plan to improve the benefits to the plan members. The Commission generally agrees with this premise but does recognize that there are certain priorities taking precedence over this general thesis.

Because of inflated salaries, some plans have unfunded liabilities and it is not unreasonable for the plan sponsor, particularly in times of reduced profits and increased interest rates, to use some of the higher earnings in the fund to reduce the unfunded liabilities.

In a number of cases, the reduced sponsor contribution to the plan resulting from higher than assumed earnings has enabled the sponsoring company to stay in business by avoiding insolvency. It has been argued that it was preferable in those cases to retain jobs for the many rather than to make provision for improved pensions for the few.

The Commission, while subscribing to the general principle that higher than assumed earnings should be used to improve plan benefits, recognizes that it is very difficult to devise a hard and fast rule that such higher earnings be used for one purpose only.

The Commission does believe that, in the absence of any of the factors noted above, the increased earnings on the pension fund should be used to improve pension benefits. Employee representation on the body having jurisdiction over the operation of the plan and the fund will do much to promote better understanding of the pension plan and the fund operations.

It has been stated earlier that the lack of pension plan information breeds discontent among the workers and so too does the denial of any right of participation in the operation of the plan. The Commission is of the opinion that not only must pension plans be properly managed, they must so do visibly.

The City of Halifax Employees' Pension Plan, commenced in 1951, has evolved into a well based plan with benefits almost equal to those available to Federal Public Service. This evolution was the result of Council Members meeting with representatives of the employees and the eventual formation of an advisory council elected by the employees of the various branches of the civic administration.

The advisory council has proven to be an excellent means whereby the opinions of the employees can be considered before any change is made in the benefits under the superannuation plan. Membership on the advisory council results in a more knowledgeable group of employee representatives who, in time, gain valuable insight into the workings of the pension plan and the management of the fund.

The Commission is of the opinion that employee representatives acting in concert with the officials responsible for the operation of a pension plan can make a worthwhile contribution to better understanding of the management of the plan and supporting fund.

The Commission supports the thesis that members of the plan have a right to have at least one active member of the plan to represent them on the body directing the affairs of the pension plan, where such a body exists. Such representatives should be elected by the members of the plan and should have full rights of a member of the board or committee which administers the plan.

Some plans are managed by a designated employee of the sponsor and no formal body or committee of fund management exists. In such cases - usually a small company - there is daily contact with management and an informal discussion base is commonly established.

The Commission recommends that:

22 - **IF LEGISLATION TO MANDATE THE PROVISION OF PENSION INFORMATION IS ENACTED BY THE PROVINCE OF NOVA SCOTIA AS RECOMMENDED BY THE COMMISSION, THAT THE PROVINCE GIVE CONSIDERATION TO THE MANDATING OF A SYSTEM OF PROVIDING FOR EMPLOYEE REPRESENTATIVES ON THE BODY RESPONSIBLE FOR THE OPERATING AND MANAGEMENT OF EACH REGISTERED PENSION PLAN IN NOVA SCOTIA WITH OVER FIFTY ACTIVE CONTRIBUTORS. SUCH CONSIDERATION TO TAKE PLACE NO LATER THAN THIRTY-SIX MONTHS AFTER THE PROCLAMATION OF THE AFOREMENTIONED LEGISLATION.**

ELIGIBILITY

This Report notes that many employers in Nova Scotia do not sponsor pension plans thus accounting, in part, for the high percentage of employees not covered by occupational pension plans. Another contributing factor is that, in many pension plans, there are restrictive qualifications for admission to membership.

Most pension plans have a qualifying period of employment before an employee is eligible for membership in the plan. In many, the qualifying period can be a number of years. This delayed entry into the plan is unfair because it denies to the employee the right to accumulate credits which may be of greater importance in later years.

It has been advanced that it is really not necessary that those under 25 years of age contribute to a pension plan. This thesis underplays the possibility of early retirement due to disability, or non-contributory periods because of protracted unemployment or serious illness. Any or all of these factors could reduce the number of years of contributory service.

Experience has demonstrated that there is widespread employee dissatisfaction when deductions for pension plan contributions are initiated some time after the worker has commenced employment. The deduction of pension contributions with the first pay would do much to eliminate this source of irritation.

Contributions to the CPP begin when the worker attains the age of 18 or upon commencing employment if the worker is older. Provincially mandated vacation pay credits start to accumulate as of the first day of employment. It seems to be reasonable that the amassing of pension credits should rate equal priority.

If, as surveys show, the average Canadian works at 7 places of employment over a work career, and if each such job has a waiting period of 2 years before a worker becomes eligible for admission to an occupational pension plan, the average Canadian worker would lose 14 years of possible pension credits.

The Commission is of the opinion that employees should contribute to a pension plan at their place of employment if such a plan is in existence and that admission to the plan be not unduly or unreasonably delayed. In cases where there has been a protracted delay in admission to a pension plan, the employee could be confronted with a request to pay for back service which would result in an even greater reduction in take-home pay than that occasioned by a delayed commencement of deductions for pension fund purposes.

The number of those covered by private retirement income schemes can be increased if, in every case where an occupational pension plan is in existence, deductions for retirement income purposes is instituted with the first pay packet. This system was used by the federal government for many years. The employee contributions were held in a so-called "retirement fund" until the employee was confirmed in the position occupied, at which time the contributor was admitted to the pension plan and the contributions in that worker's name were transferred to his credit in the pension fund. If the employment of the contributor was terminated, funds withheld were returned plus accumulated interest.

In today's age of computers, it would not put too much strain on the recordkeepers to accept this method of "Day-One" contributions. In the mobile society of this age and when individuals can expect to work for many employers over an extended working career with employment disruption due to lay-offs, illness, etc., the Commission believes that it is in the best interest of the individual and the nation to encourage early participation in pension plans and "Day-One" deduction for pension plan purposes.

The Commission recommends that:

23 - THE PROVINCIAL PENSION REGULATORY LEGISLATION BE AMENDED TO REQUIRE THOSE ORGANIZATIONS SPONSORING PENSION PLANS TO COMMENCE TAKING PENSION PLAN CONTRIBUTION DEDUCTIONS FROM ALL EMPLOYEES FROM COMMENCEMENT OF EMPLOYMENT. WHERE A PLAN REQUIRES NO CONTRIBUTION FROM THE EMPLOYEE, MEMBERSHIP IN THE PLAN SHALL COMMENCE FROM THE DATE OF EMPLOYMENT. NOTHING IN THIS RECOMMENDATION SHALL BE CONSTRUED

TO REQUIRE VESTING RIGHTS MORE FAVOURABLE THAN THOSE PROVIDED BY THE PENSION BENEFITS ACT.

The Commission considered the consequences of an employee opting out of an occupational pension plan and concluded that such was not in the interest of the employee or the community.

The Commission recommends that:

24 - THE PENSION BENEFITS ACT BE AMENDED TO PROVIDE THAT ANY EMPLOYEE OF A COMPANY SPONSORING AN OCCUPATIONAL PENSION PLAN BE REQUIRED TO BECOME A MEMBER OF SUCH PLAN AS SOON AS PERMITTED TO DO SO UNDER PLAN REGULATIONS BUT IN NO CASE SHOULD ENTRY INTO ANY SUCH PLAN BE LATER THAN TWO YEARS AFTER COMMENCING EMPLOYMENT.

SURVIVORS' BENEFITS

The First Epistle of Paul to Timothy reads in part:

> **"The man who makes no provision for those nearest him, above all his own family, has contradicted the teachings of the faith."**

The Ontario Royal Commission on Pensions noted:

> **"The provision of survivor benefits is made or advocated on the traditional assumption that, in marriage, the husband is the breadwinner and the wife is dependent."** [1]

However, there is also a growing consensus that a pension is a deferred wage - present family income put aside for future use. There is no law in Nova Scotia which states that pensions and RRSPs are matrimonial assets. The Matrimonial Property Act of Nova Scotia states in its preamble that the husband and wife contribute jointly in the acquisition of family assets whether that contribution is "financial or otherwise" and are, therefore, equally entitled to these properties. The preamble is only a guide, not a law in itself. Many judges, during proceedings, have ruled that pensions are joint assets, but are powerless to divide an asset the value of which will not be realized until sometime in the future. The point is, though, that the courts have recognized a pension in one spouse's name to be the joint property of both spouses. Therefore, a survivor's benefit should not be provided only on the basis of dependency but, also, on the basis of entitlement to a share of the benefits.

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[1] Ontario Royal Commission on Pensions, Volume III, Pg. 121.

Only 30.7 percent of occupational pension plan members in the private sector in Nova Scotia are in plans where widows' pensions are provided on death before retirement. Even more alarming is that, in 1980, only 18.1 percent of those members were in plans which provided widows' pensions on death *after* retirement.

In the public sector, the percentages of members covered are much higher. Here, 93.0 percent are provided with a widow's pension before retirement and 67.3 percent are provided on death after retirement. These pensions are usually 50 percent of the deceased's retirement benefit. If the spouse was indeed financially dependent upon the deceased's pension, a reduction of half would likely mean a reduction in the survivor's standard of living, since it has been established that one person needs at least 60 percent of what two people require to live on. The 60 percent level is already established in Government Income Security Programs. It is the least that a widowed person receives from their deceased spouse's CPP retirement benefit. Widow(er)s under age 65 receive an even larger percentage due to the flat rate component of the survivor's benefit.

It is also recognized, under the Guaranteed Income Supplement Program, that a married couple does not need twice as much as a single person. This led to the establishment of the "married" rate in 1971. In April 1982, the maximum GIS paid to a single pensioner was 64.9 percent of that paid to a married couple both being pensioners.

It is interesting that the number covered by a widow's pension is smaller on death after retirement than on death before retirement. This is perhaps due to the nature of the pension being paid. Many private sector pensions, 52.3 percent of them in fact, are paid for a guaranteed period only when the pensioner dies before that period is up. If the pensioner dies after that period, then the pension terminates. Some of these plans may be ones which provide widows' pensions on death of the plan member before retirement. In the public sector, only 8.7 percent of the members belong to guaranteed term plans. There are, however, more members (17.2 percent) in plans which pay the remaining benefits (contributions less pension paid) as a death benefit. These two types of public sector plans pay widows' pensions when the plan member dies before retirement.

Less than 1 percent (0.9) of private sector members and no public sector members have the option to convert the "normal" retirement benefit of the plan to a joint and survivor benefit. This conversion results in the benefit being actuarially reduced in order to provide a continuing benefit to the spouse after death. The continuing benefit may be a further reduced one or it may be 100 percent of the already reduced pension. The following example will make this more clear.

In a recent case in Halifax, the pensioner would have been entitled to a pension of $311 per month (3,732 per year), guaranteed term of 10 years (no other survivor benefit). The pension agency advised the pensioner that the following options were available to him, provided he was willing to take a reduction in the initial pension:

1) A reduced pension of $298 per month ($3,576 per year) and a survivor's benefit of two-thirds of the reduced pension ($2,385 per year).
2) A reduced pension of $282.64 per month ($3,392 per year) and a continuing benefit, in the same amount, to the survivor.

The second option would result in a reduction in annual pension income of $340 per year, 9 percent of the initial pension offered, in order to provide an unreduced survivor's benefit! The first option produces only a 4 percent reduction of the initial pension, but with a reduced survivor's benefit. The option chosen in any case will depend upon the circumstances of the couple.

Several groups making submissions to the Commission have recommended changes to occupational pension plan legislation with regard to survivors' benefits. They all shared the view that provision of survivors' benefits as the normal option should not be mandatory.

The Haley Commission in Ontario recommended that,

> **"the joint and survivor annuity be the standard form of benefit which may only be displaced by election".** [1]

It favoured also a range of choice of percentage levels for the survivor benefit with a minimum coverage level of 60 percent. A 60 percent pension was also recommended on death before retirement and after vesting. If not vested, then a return of contributions (if a contributory plan) plus a rate of interest one percent below the interest earned on non-chequing savings accounts during the years of those contributions should be made.

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[1] Ontario Royal Commission on Pensions, Volume II, Pg. 284.

The Canadian Association of Pension Supervisory Authorities (CAPSA) also favoured a joint and last survivor annuity. It would be reduced by one-third on the death of the plan member. This would be the normal form of payment,

> **"unless a positive election is made for some other form".** [1]

Prior to retirement, a vested employee's estate or survivor would be entitled to,

> **"a lump sum payment equal to the amount he could have transferred out of the plan if he had terminated employment on the day of his death".** [2]

This sum would be transferred to a locked-in retirement account (LIRA) in the spouse's name. A non-vested employee's survivor would be entitled to only a refund of contributions plus the usual amount of interest paid when such refunds are made (3 percent or so).

Saskatchewan's Pension Benefits Act was altered recently with regards to survivors' benefits. Sections 16.1-(1) and 16.1-(2) deal with these changes.

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[1] CAPSA: "Reform of Private Pension Plans", April 1982, Pg. 30

[2] CAPSA, Pg. 31

> **16.1-(1)** - A pension plan that does not provide a retiring married employee with an actuarially unadjusted pension benefit that continues to the employee's surviving spouse in an amount equal to 50 percent or more of the deceased employee's pension benefit, must make provision for the retiring employee's pension benefit to be actuarially adjusted at retirement to guarantee for the life of the survivor spouse 50 percent or more of the deceased employee's adjusted benefit.
>
> **16.1-(2)** - A pension plan may provide for a retiring married employee to receive a pension benefit that does not continue to be paid for the lifetime of his surviving spouse where the employer receives a written waiver that is:
>
> a) Signed by the spouse of the retiring employee in the presence of a witness and apart from that employee, and
>
> b) Contains a statement to the effect that the spouse of the retiring employee is aware of the right to a pension benefit upon the death of the retiring employee and intends to waive that right. [1]

This legislation makes survivors' benefits the norm in occupational pensions, rather than the exception. It also recognizes that the non-employee spouse has a right to the pension of the retiring spouse, and is the only person who can waive that right. The spouse of the retiring employee must also be made fully aware of what is being given up if the survivor's benefit is waived.

By making survivor benefits optional and giving couples instead a choice of:

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[1] The Pension Benefits Act, Saskatchewan: Office Consolidation, 1981, Pg. 10.

A) spouses' benefits,

B) levels of spouses' benefits, or

C) an automatic spouse benefit, the occupational pension system will be more flexible in adapting to the circumstances of individual couples.

For example, if both spouses have worked and earned adequate pension protection in their own right, they may prefer a higher initial income in lieu of any survivor's benefits. If, however, the female partner has never worked and will most likely outlive her husband, then she should be provided with the protection of a survivor's benefit.

With more and more women entering the work force, one may see more survivors' pensions waived. However, at least the people affected should have the choice. Not only must there be a choice of method and level of spouse's benefit, but the law must protect the spouses against the capricious actions of a marriage partner.

The Commission recommends that:

25 - THE PENSIONS BENEFITS ACT BE AMENDED TO PROVIDE THAT A PENSION PLAN THAT DOES NOT PROVIDE A RETIRING MARRIED EMPLOYEE WITH AN ACTUARIALLY UNADJUSTED PENSION BENEFIT THAT CONTINUES TO THE EMPLOYEE'S SURVIVING SPOUSE IN AN AMOUNT EQUAL TO 60 PERCENT OR MORE OF THE DECEASED EMPLOYEE'S PENSION BENEFIT, MUST MAKE PROVISION FOR THE RETIRING EMPLOYEE'S

PENSION BENEFIT TO BE ACTUARIALLY ADJUSTED AT RETIREMENT TO GUARANTEE FOR THE LIFE OF THE SURVIVOR SPOUSE 60 PERCENT OR MORE OF THE DECEASED EMPLOYEE'S ADJUSTED BENEFIT.

A PENSION PLAN MAY PROVIDE FOR A RETIRING MARRIED EMPLOYEE TO RECEIVE A PENSION BENEFIT THAT DOES NOT CONTINUE TO BE PAID FOR THE LIFETIME OF HIS SURVIVING SPOUSE WHERE THE EMPLOYER RECEIVES A WRITTEN WAIVER THAT IS:

A) SIGNED BY THE SPOUSE OF THE RETIRING EMPLOYEEE IN THE PRESENCE OF A WITNESS AND APART FROM THAT EMPLOYEE, AND

B) CONTAINS A STATEMENT TO THE EFFECT THAT THE SPOUSE OF THE RETIRING EMPLOYEE IS AWARE OF THE RIGHT TO A PENSION BENEFIT UPON THE DEATH OF THE RETIRING EMPLOYEE AND INTENDS TO WAIVE THAT RIGHT, AND

C) CONTAINS A STATEMENT BY A PRACTISING BARRISTER OF THE PROVINCE IN WHICH SUCH SPOUSE IS RESIDENT, THAT THE SAID SPOUSE HAS BEEN ADVISED OF THE CONSEQUENCES OF THE SIGNING OF SUCH WAIVER OF BENEFITS.

SURVIVOR'S BENEFITS FOR DEPENDENT OTHER THAN SPOUSE

The attention of the Commission has been drawn to the situation where a relative (usually a female but sometimes a male) lives with an unmarried contributor to a pension fund and is depending upon such person for support and maintenance. Under existing pension policies, such kinfolk are denied survivors' benefits, even though they may have been totally dependent upon the contributor.

The plan member being an unmarried person makes contributions to the plan at the same rate as does a married contributor, and yet the benefits are unequal. It is realized that it would be difficult to establish rates of contributions to pension plans based on marital status, but it does appear to be most unfair to deny to a relative, who has cared for a domestic establishment financially maintained by an unmarried pension fund contributor, the benefits which would normally go to the spouse of such contributor if one existed.

The Commission believes that an unmarried person contributing to a pension fund should be granted the same right to vest in a designated beneficiary what would otherwise be deemed to be survivors' rights.

The Commission is aware of circumstances which could lead to abuse of this right and emphasizes that what is here presented is an attempt to correct an injustice to many worthy individuals who, through no fault of their own, have earned no recognition of the support given to the welfare of a relative to whom they have devoted a considerable part of their lives.

The person to be designated to receive the spouse's benefit under any plan where there is no spouse must be a person claimed by the contributor as a dependent under the "Equivalent to Married Exemption" on the three most recently filed income tax returns.

The Commission recommends that:

26 - THE PENSION BENEFITS ACT BE AMENDED TO PROVIDE THAT AN UNMARRIED PERSON, BEING A MEMBER OF A REGISTERED PENSION PLAN IN NOVA SCOTIA, BE GIVEN THE ABSOLUTE RIGHT TO DESIGNATE A RELATIVE, CLAIMED BY SUCH MEMBER AS A PERSON SUPPORTED BY THE MEMBER AND CLAIMED AS SUCH UNDER THE "EQUIVALENT TO MARRIED EXEMPTION" ON THE THREE MOST RECENTLY FILED INCOME TAX RETURNS, TO BE THE BENEFICIARY OF WHAT WOULD, IN OTHER CIRCUMSTANCES, BE THE RIGHT OF A SURVIVING SPOUSE.

The Commission believes that the same principle should be applied in the Canada Pension Plan and recommends that:

27 - THE GOVERNMENT OF NOVA SCOTIA REQUEST THE GOVERNMENT OF CANADA TO AMEND THE CANADA PENSION PLAN SO THAT AN UNMARRIED PERSON, HAVING BEEN A CONTRIBUTOR TO THE CPP, BE GIVEN THE ABSOLUTE RIGHT TO DESIGNATE A RELATIVE, CLAIMED BY SUCH CONTRIBUTOR AS THE PERSON SUPPORTED BY THE CONTRIBUTOR AND CLAIMED AS SUCH UNDER THE "EQUIVALENT TO MARRIED EXEMPTION" ON THE THREE MOST RECENTLY FILED INCOME TAX RETURNS, TO BE THE BENEFICIARY OF WHAT WOULD, IN OTHER CIRCUMSTANCES, BE THE RIGHT OF A SURVIVING SPOUSE.

PRESERVATION OF PURCHASING POWER OF PENSIONS

The matter of preserving the purchasing power of pensions was raised in almost all submissions to the Commission. Many pensioners, when interviewed, mentioned their fears that continued inflation would erode the purchasing power of their pensions and force them to apply for income tested government programs or to reduce their living standards.

The full indexing to the current Consumer Price Index of Public Service Pensions of Canada has given rise to widespread controversy. The business community has condemned this action as being itself inflationary and that the taxpayers who did not enjoy the same benefits would have to pay higher taxes to cover its costs. The civil servants countered that if the government had funded the plan and had invested the contributions of the government and the employees, the enhanced earnings of the fund would be more than sufficient to pay the increased benefits. Other employee groups, particularly in the public sector, have made the same assertions.

Some branches of government have provided partial indexing of public service pensions. In 1971, the Province of Nova Scotia introduced a system of adjustment to pensioners of the Public Service Superannuation Fund by payment of a 2 percent premium on pensions and made other adjustments in subsequent years as indicated in the following table:

TABLE 81

PSSF INDEXING AND CONSUMER PRICE INDEX

HALIFAX 1971 - 1981

	Pension Adjustment	CPI**
1971	2% *	2.8%
1972	2%	4.8%
1973	2%	7.6%
1974	2%	10.9%
1975	2%	10.8%
1976	4%	7.5%
1977	4%	8.0%
1978	4%	8.9%
1979	4%	9.1%
1980	6%	10.2%
1981	6%	12.5%

The City of Halifax, on the basis of the pension fund's performance, was able to introduce a modified form of indexing of pensions. The City of Halifax Pension Plan which has been greatly altered insofar as benefits are concerned, commenced in 1951. The fund growth has enabled the City of Halifax to vastly improve the benefits under the plan principally because the fund was enriched by the fact that the City's contributions were not turned over to employees who terminated before vesting (10 years), but rather were returned to the fund to improve the benefits of the long term employees.

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* Back-dated to include prior years dating from actual year of retirement.

**The CPI figures used here represent the increase in the CPI over that of the previous year. For some purposes the federal government uses the increase in CPI from October 1 to September 30.

The following table illustrates pension fund performance, the increase in the CPI and the yield on federal bonds from 1971 to 1981. The pension fund performance record is that listed as the median return on selected pension funds in a survey by Wood Gundy Limited, while the other figures are taken from the Canadian Institute of Actuaries reports on Canadian economic statistics.

TABLE 82

PENSION FUND PERFORMANCE INFORMATION DRAWN FROM WOOD GUNDY LIMITED AND CANADIAN INSTITUTE OF ACTUARIES

Year	Median Returns Wood Gundy Survey	Increase in CPI Over Previous Years	Yield on Long Term Federal Bonds
1971	12.6	2.8	7.0
1972	17.5	4.8	7.2
1973	- 2.4	7.6	7.6
1974	-10.7	10.9	8.9
1975	13.0	10.8	9.0
1976	12.9	7.5	9.2
1977	9.0	8.0	8.7
1978	13.4	8.9	9.3
1979	14.9	9.8	10.2
1980	17.7	10.2	12.5
1981	1.3	12.5	15.2

In all but three years, 1973, 1974 and 1981, the yield on pension funds exceeded the increase in the CPI and quite often by a large margin. The same three years were the only years in which the return was less than on federal bonds. In only two years was the yield on federal bonds less than the increase in the CPI.

It is commonly assumed that investment returns are a sum of the "real" rate of return, which is the "rent" paid for use of money and a "premium" to allow for inflation, i.e., to make allowance for the fact that when the capital is repaid, its buying power will be less than when it was loaned.

As demonstrated in the following table taken from the Canadian Institute of Actuaries Report on Economic Statistics setting out the rates of changes/return, wages increase faster than prices, and investment returns have been higher than both.

TABLE 83

TAKEN FROM CANADIAN INSTITUTE OF ACTUARIES REPORT ON ECONOMIC STATISTICS

Period	Consumer Price Index	Wage and Salary Index	Common Stock Index	Government Canada Bond Index
1927-31	2.19	.47	.11	5.51
1932-36	-2.09	-1.39	9.57	8.45
1937-41	2.65	4.68	5.20	2.80
1942-46	2.18	6.54	19.01	4.38
1947-51	7.96	9.43	15.35	1.10
1952-56	0.76	4.54	13.81	2.34
1957-61	1.81	3.37	6.18	- .96
1962-66	2.18	4.24	8.74	3.74
1967-71	3.67	7.41	6.60	4.15
1972-76	8.29	10.63	5.18	3.87
1977-81	9.73	9.27	20.92	1.43
1937-81	2.95	5.05	9.23	3.62

For the more recent period, the following table shows the "real" rate of return on various types of fixed income securities, i.e., the excess of the actual or "nominal" rate over the Consumer Price Index.

TABLE 84

"REAL" RATE OF RETURN

Period	Federal Bonds	Industrial Bonds	Mortgages
1957-61	2.86	3.57	5.07
1962-66	3.01	3.44	4.83
1967-71	3.24	4.42	5.50
1972-76	0.09	1.25	2.19
1977-81	1.30	2.06	3.03
1957-81	2.10	2.95	4.12

It thus seems reasonable to expect a real rate of return of at least two percent. With diversification into industrial bonds, mortgages, and common stocks, a real yield of up to four percent and perhaps somewhat higher, seems feasible.

In performing actuarial valuations, actuaries generally use rates of return in the range of four percent to seven percent. If benefits are based on final salaries, that is those to be achieved at some future date, then they usually assume that salaries increase at a rate of one percent to two percent lower than the net of investment return that is assumed. Salaries generally increase faster than prices. If pension benefits are indexed to the cost of living, the CPI is usually assumed to increase at rates from two percent to three and a half percent lower than the rate of investment return assumed. Thus, actuarial valuation methods usually assume that the "excess interest" can cover increases in either salaries or the CPI that are in excess of what the actuary assumed.

Many pension plans do not base benefits on final salary and very few provide for indexing to the CPI. Those who advocate the concept of "excess interest" indexing wish to make it mandatory for such excess interest to be used to enhance the benefits of plan members and not to reduce the employer's cost.

It can be demonstrated actuarially for benefits that are precisely determined (that is, they are not based on unpredictable future salaries) that an excess of "X" percent over the actuarially assumed interest rate can provide an increase in benefits of "X" percent over the pension being paid, or promised to be paid in the future.

The following table illustrates the experience of a pension fund that earned the Wood Gundy median rate where the actuary used a valuation interest rate of six percent.

TABLE 85

PENSION FUND FROM WOOD GUNDY MEDIAN RATE

Year	Increase in CPI	Excess of Median Yield Over Six Percent	Excess of Federal Bond Yield Over Six Percent
1971	2.8	6.6	1.0
1972	4.8	11.5	1.2
1973	7.6	- 8.4	1.6
1974	10.9	-16.7	2.9
1975	10.8	7.0	3.0
1976	7.5	6.9	3.2
1977	8.0	3.0	2.7
1978	8.9	7.4	3.3
1979	9.1	8.9	4.2
1980	10.2	11.9	6.5
1981	12.5	- 4.7	9.2

As shown, excess interest indexing based on the projected fund yield remains fairly well on a par with the cost of living. That based on the yield on government bonds does not. Both would show a better result if the actuary used an interest rate lower than six percent, but this would increase the pension costs, presumably with higher contributions required of both employers and employees.

Some of the problems arising out of using "excess interest" based on the fund yield are:

1. In some years, such as 1973 and 1974, the excess yield did not keep up with the cost of living.
2. In some other years, 1971, 1972 and 1980, the excess yield is greater than the increase in the cost of living. This would be more pronounced if a base rate lower than six percent is assumed in calculations.
3. In many plans, the onus is on the sponsor to provide the funds required to produce the promised benefits. Good management can reduce the amount required to be contributed by the sponsor. Under the proposal to use all "excess interest" earnings, all gains will be passed on to plan members thus removing any incentive to sponsors to get better management of the fund.

To offset these disadvantages, it has been proposed that the indexing be based on an outside bond index, as it limits the amount that need be passed on to the employee. There are still disadvantages:

1. In most years, it would have resulted in lesser indexing, frequently well under the increase in the CPI.
2. In years such as 1973 and 1974, the fund must index benefits even though it has not had the investment income to do so.

There are other solutions, however, such as basing the excess yield on the fund results, but putting a maximum on indexing such as 75 percent of the increases in the CPI with the further provision that some sort of reserve be set up to enable indexing when excess earnings are not available.

In addition to the foregoing, there are other difficulties in seeking solutions to the problem of trying to preserve the purchasing power of pensions.

In theory, the actuary divides the liabilities between the active employees, the pensioners, and the former employees entitled to a pension. Then the excess interest earnings are prorated in proportion to these liabilities, and used to provide increased benefits for these classes.

The theory works quite well if the pension fund is fully funded. However, if the assets are less than the actuarial liabilities - as is true in many funds - then there will be no excess interest earnings - in fact, no investment earnings - on the unfunded portions. The plan sponsor is normally making payments to amortize the unfunded portion but, for excess interest indexing to work, he must also pay excess interest on the unfunded portion.

In this climate of declining profitability, it is doubtful if many plan sponsors will be able to afford the cost of picking up the shortfall on the earnings of the fund below that anticipated. Especially is this true when he has to deal with an abstract thesis such as that arising out of his responsibility to pay into the fund an amount equal to the "excess interest" on the unfunded portion of the plan.

The application of the "excess interest" hypothesis treats pensioners, former contributors and active participants in the same manner. However, benefits for those retired are usually increased to cover increases in the cost of living. Benefits for the non-retired should be increased in proportion to the average increase in salaries if benefits at retirement are to be commensurate with pre-retirement income. The records show that wages do increase faster than prices.

One of the proposals advanced suggests that, in final average salary plans, excess interest on the liabilities for active members need not be used to increase benefits for them. This is quite reasonable because their benefits, calculated on final average earnings, do reflect the effects of inflation, therefore, up to retirement they are protected against inflation.

In some submissions, it was suggested that "excess earnings" be used to increase benefits for all in the same proportions. This approach does ignore the fact that some plans may be providing inadequate benefits and it would be unfair to direct "excess earnings" to one area of supplementation only.

The Commission, in the examination of this issue, had to determine if the matter of indexing of pensions to the cost of living should be given priority over issues such as improved vesting, improved survivors' benefits, etc.

As noted in this Report, the heavy reliance on public pension plans and Guaranteed Income Supplements, means that most Nova Scotians now in retirement do have such pension income indexed to the cost of living. For those who filed an income tax return in 1979, only 17 percent of their income came from private pensions[1]. All other income such as salaries, investments, etc., would, at least in some measure, be enhanced because of inflation.

Those who are drawing occupational pensions from the Government of Canada do enjoy the benefits of indexing to the CPI but many of these also draw public pensions indexed to the CPI. Therefore, since all now over 65 years and in receipt of public pensions are drawing pensions indexed to the CPI, it is quite erroneous to describe pensioners as living on "fixed income".

The issue of indexing of pensions to the CPI through the "excess interest" approach is a very complex one and one for which there is no simple answer. To measure the ability of present occupational pension plans to use the "excess interest" method and the extent thereof would require time and resources that the Commission does not possess.

The Commission notes the difficulty in making any general rule or plan for indexing but it does recognize that the employee's contributions tend to be uniform and predictable. They are not altered in any way due to the existence of unfunded liabilities, etc. When these contributions are invested, they will produce, according to the records, amounts in excess of those assumed by the actuary in establishing the plan or any revision of the plan. It does appear to be reasonable, in these circumstances, that "excess earnings" on the part of any pension fund attributable to the contributions of the employees (less any amount required to allow for higher than assumed average final earnings) should be used to supplement the retirement allowances of employees.

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[1] Of the 37,532 returns filed by those over 65 years in 1979, only 20,432 were taxable.

In non-contributory pension plans, an assumption will have to be made as to the portion to be attributed as the employee's contribution.

Much of the controversy on indexing of pensions to the CPI would be eliminated if more information was provided to the plan members. There will be better understanding of pension plan funding if the recommendations on disclosure of information contained herein are accepted.

Further, the Commission believes that it would be beneficial to all if representatives of plan members are made part of the body having jurisdiction over the pension plan. An improved flow of information and employee participation in the pension policy group would go a long way to eliminating employee mistrust and dissatisfaction. No sponsor of a well managed plan need fear the sharing of information and responsibility with employee representatives.

The figures in Table 86 indicate the extent to which automatic escalation of pension benefits have been extended to plan members in 1980. As the figures demonstrate, only a small portion (less than 5 percent) of pension plan members in the private sector have any measure of automatic escalation of benefits because of increases in the cost of living.

TABLE 86

AUTOMATIC ESCALATION OF PENSION BENEFITS IN THE PUBLIC AND PRIVATE SECTORS SHOWING MEMBERS - 1980

	BOTH SECTORS		PUBLIC SECTOR		PRIVATE SECTOR	
	Members		Members		Members	
	Number	Percent	Number	Percent	Number	Percent
Full Indexing with Consumer Price Index	943,091	21.1	940,811	47.8	2,280	0.1
Partial Indexing	467,177	10.4	347,579	17.6	119,598	4.8
TOTAL	1,410,268	31.5	1,288,390	65.4	121,878	4.9
No Indexing	3,065,161	68.5	681,541	34.6	2,383,620	95.1
GRAND TOTAL	4,475,429	100.0	1,969,931	100.0	2,505,498	100.0

The Commission makes no recommendation at this time on the issue of preservation of the purchasing power of pensions. It does suggest that the issue be re-examined some time later when the effects of other legislative amendments can be assessed.

SOURCE: Pension Plans in Canada - Statistics Canada - 1980

UNIFORMITY OF PROVINCIAL PENSION LEGISLATION

Many corporations and associations of commercial interests have made presentations to the Commission with respect to the lack of uniformity in Provincial Pension Regulatory Legislation. Corporations having employees in several provinces reported difficulties encountered in administering pensions on a nationwide basis.

The pension regulatory officials of the various jurisdictions organized The Canadian Association of Pension Supervisory Authorities (CAPSA) in 1974, having as its members the senior government official in charge of the Administration of Pension Regulatory Legislation in each of the jurisdictions where such legislation exists in Canada. (At the present time, these are Ontario, Quebec, Nova Scotia, Manitoba, Saskatchewan, Alberta and the federal jursidiction.) Representatives of certain other provinces that are considering the possibility of Pension Regulatory Legislation attend meetings of CAPSA from time to time in accordance with an open invitation. Jurisdictions that have taken advantage of this invitation are New Brunswick, Prince Edward Island and British Columbia.

The objective of CAPSA is to have a forum for the exchange of ideas concerning problems arising out of the administration of pension legislation in the various jurisdictions and, even more important, the constant striving to attain uniformity of regulatory legislation.

CAPSA is not a decision making body and the opinions of the members are not to be construed as those of the various jurisdictions represented. It is, however, a unique and knowledgeable group fully conversant with the day-to-day problems that arise in the operation of pension plans and fully aware of the effectiveness and the feasibility of proposals advanced for reform of the occupational pension plan system.

The organization released a series of proposals in April 1982 which document was examined by the Commission in detail. As CAPSA is an on-going body, it is not the intention of the Commission to comment on the proposals as contained in the April 1982 document; however, the recommendations contained in this report give due consideration to the CAPSA proposals.

Recognizing the power of each province to enact laws for the regulation of occupational pension plans within its own jurisdiction, the Commission recommends that:

28 - THAT THE PROVINCE OF NOVA SCOTIA MAINTAIN MEMBERSHIP IN THE CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES (CAPSA) WITH THE EXPRESS INTENTION OF ATTEMPTING TO ACHIEVE, SUBJECT TO PROVINCIAL AUTONOMY, UNIFORMITY OF PENSION LEGISLATION.

NOVA SCOTIA PUBLIC SERVICE AND TEACHER PLANS

The Commission received submissions from both the Nova Scotia Government Employees Association and the Nova Scotia Teachers' Union, as well as from smaller groups and individuals covered under one or other of these plans.

The Commission has concluded that the benefits under these plans are generally superior to those in the private sector, and are quite comparable to those operated by the federal or other provincial governments.

On the other hand, many complaints were received concerning the lack of information available to plan members. As far as disclosure is concerned, these plans are markedly inferior to many in the private sector.

The Commission notes that these plans are specifically exempt from all provisions of the Pension Benefits Act. In many other jurisdictions, public sector plans are exempted only from the funding requirements of these acts. While funding is reported upon later, no reasons were presented to justify the continued exemption of these plans from the vesting, locking-in, disclosure, etc., provisions that are required by law of private sector plans.

In both plans, the contributions from the members and the government are invested in actual securities, only a minority of which are in those of the province itself. This compares favourably with other jurisdictions where the investment is exclusively in securities issued by the sponsor (e.g., Ontario) or is only notional (e.g., the federal government). It also contrasts favourably with jurisdictions where only the employee contributions are invested (e.g., Manitoba) or where there are no investments (e.g., Newfoundland until a few years ago). It should be noted that investing in bonds issued by the plan sponsor does not really alter the cost to the sponsor. It merely alters the distribution between pension plan contributions and interest payments. The province is to be commended upon the method of funding adopted.

The level of funding is another matter. The 1979 valuation of the Nova Scotia Teachers' Fund revealed unfunded actuarial liabilities of $457,943,000 compared with assets of $221,589,000. It was suggested that the province contribute 119.9 percent of what the members contribute instead of 100 percent. The 1981 valuation of the Public Service Plan reveals unfunded actuarial liabilities of $165,153,000 compared with assets of $301,232,000. It was suggested that the province could contribute 95.9 percent of which the members contribute rather than 100 percent. (The contribution rates quoted are for current service only, and contain no contribution towards the unfunded liability.)

Pension plans are funded for two reasons. The first is to provide security to members in the event that the sponsor ceases to exist. The second is to ensure that costs do not ultimately reach levels that cannot be accepted. The first of the reasons does not exist in the case of the province. The second is, however, still applicable, though it is quite possible that because of its taxing power, it is not as important as in private industry. Thus, it is not as necessary for the province to follow the funding standards for its own plans that it prescribes for private sector plans.

Substantial unfunded actuarial liabilities have arisen in the two public sector plans for a number of reasons. One is that these plans have been improved on a number of occasions without any increase in the contributions made by either the members or the province. Inasmuch as there has been no evidence in any of the actuarial reports that contributions were excessive and no surplus accumulated, this does not seem advisable.

The other major reason has been inflation. Benefits are based upon final average salary and are indexed to an extent. Thus, benefits have increased with inflation, and the increase applies to all benefits wherever earned. Contributions also increase, but only in the future, and this does not cover the retroactive nature of the benefit increase. On fixed income securities, in which the assets are largely invested, the increase in yield resulting from inflation applies only to new investments and not to older investments at lower interest rates. These investments are valued at their amortized value, and so the yield on them is approximately the coupon yield, which is much below current yields.

As a result, the difference between the investment return on the fund and the rate assumed by the actuary has not been sufficient to cover the difference between the actual rate of salary increase and the assumed one. For example, in the 1976 valuation of the Public Service Plan, the actuary assumed a rate of investment return of 8 percent and a rate and salary increase of just over 7 percent. In the period 1976 to 1981, the actual return was 10.2 percent and the rate of salary increase about 9 percent. While this is the spread assumed, it should be noted that the excess interest is earned only on the funded portion of the liabilities.

The actuary involved has repeatedly expressed concern about the teachers' plan where the assets are only 32.6 percent of the actuarial liabilities. As a result, a cash flow study of the fund has been commissioned to determine for how long the present rates of contribution can be maintained before it will be necessary to increase contributions or sell securities in order to pay benefits. The results of the study, however, will not be available until late spring.

In contrast, the actuary has expressed no concerns about the Public Service Plan, where the assets are 67.5 percent of the liabilities.

The Commission is also concerned that actuarial valuations, which indicate the position of the funds, are only undertaken every five years. The Pension Benefits Act requires this for other plans every three years. Because of the size and importance of plans such as these, the Haley Commission recommended annual valuations.

The Commission recommends that:

29 - ALL PENSION PLANS OPERATED BY THE PROVINCE OF NOVA SCOTIA BE SUBJECT TO ALL OF THE TERMS AND CONDITIONS OF THE PENSIONS BENEFIT ACT AND ANY REGULATION MADE PURSUANT THERETO, WITH THE EXCEPTION OF THOSE RELATING TO FUNDING.

The Commission recommends that:

30 - ALL PENSION PLANS OPERATED BY THE PROVINCE OF NOVA SCOTIA BE SUBJECT TO ACTUARIAL VALUATIONS AT LEAST EVERY SECOND YEAR, USING ACTUARIAL METHODS AND ASSUMPTIONS ANALOGOUS TO THOSE USED IN THE PRIVATE SECTOR, AND THAT THE RESULTS OF SUCH VALUATIONS BE MADE AVAILABLE TO THE LEGISLATIVE ASSEMBLY AND THE PUBLIC WITHIN FOUR MONTHS OF THEIR COMPLETION.

The Commission recommends that:

31 - NO CHANGES SHOULD BE MADE IN ANY PENSION PLANS OPERATED BY THE PROVINCE WITHOUT AN ACTUARIAL DETERMINATION OF THE EFFECTS OF SUCH CHANGES UPON THE ACTUARIAL LIABILITIES AND THE NORMAL

ACTUARIAL COSTS BE DETERMINED IN RECOMMENDATION 30 ABOVE, AND THAT NO AMENDMENTS BE MADE TO SUCH PLANS WITHOUT DISCLOSURE TO THE LEGISLATIVE ASSEMBLY AND TO THE PUBLIC AS TO THE EFFECT SUCH CHANGES WOULD HAVE ON THE ACTUARIAL LIABILITIES OF THE FUNDS.

"CASUAL" PROVINCIAL EMPLOYEES AND PENSIONS

While it may be beyond the jurisdiction of the Commisson to examine the practise of retaining employees as so-called 'casuals' for periods of many years, it does appear to be unjust to deny such employees the right to accumulate pension credits for years of service served as 'casuals'.

The Commission is of the opinion that all employees of the province be afforded the means to contribute to a retirement income benefit even though many would not be eligible for appointment to the provincial permanent staff for some time.

All 'casual' employees, except those engaged by the Province and provincial crown agencies for summer-time or short-term employment of less than six months, should commence to make contributions to the fund upon entering into employment.

The Commission recommends that:

32 - **ALL PROVINCIAL EMPLOYEES, WITH THE EXCEPTION OF THOSE ENUMERATED IN RECOMMENDATION NUMBER 40, SHALL BE REQUIRED TO CONTRIBUTE TO THE PUBLIC SERVICE SUPERANNUATION FUND AT A RATE EQUAL TO THAT REQUIRED OF MEMBERS OF THE PUBLIC SERVICE SUPERANNUATION PLAN.**

IF A CONTRIBUTOR LEAVES PRIOR TO THE COMPLETION OF TWO YEARS OF SERVICE, ALL CONTRIBUTIONS OF THE EMPLOYEE PLUS ACCRUED INTEREST SHOULD BE RETURNED TO THAT PERSON.

It is noted that the province has a considerable number of workers who work part-time in a work week of from 15 to 20 hours. These, under present regulations, are not eligible for membership in the Provincial Government Employees Pension Plan. This is deemed by the Commission to be unfair and sets a poor example for private employers.

The Commission recommends that:

33 - **THE PROVINCIAL GOVERNMENT INCLUDE PART-TIME EMPLOYEES IN THE PUBLIC SERVICE SUPERANNUATION PLAN AND THAT SOME PROVISION BE MADE FOR PAST SERVICE.**

PROVINCIAL EMPLOYEE BENEFITS

In recent years, because of rampant inflation, the formulae upon which pensions are based have become somewhat distorted. While a pension plan may hold out a promise of a maximum retirement allowance equal to 70 percent of the average salary of the last 5 years of service, it was pointed out to the Commission that provincial employees retiring in 1981 with maximum service, because of inflation and consequent salary adjustments, would have pensions equal to 56 percent of their last year's salary. It is recognized that the last year's salary is the highest because of inflation, but it does point up the fact that, in the measuring of income replacement in pensions, due consideration must be given to the effect of inflation both in establishing gross income replacement in the first pension cheque and the subsequent erosion in purchasing power.

It was drawn to the attention of the Commission that the average period of service of those provincial employees retiring in 1981 upon which pensions were calculated was 18 years (this is just about one-half of that held out to be the maximum years of contributory service). It is not suggested that any adjustment in pensions be made because of this fact, but it does play up the need for the individual to provide some form of supplementary retirement income.

The Commission, in the process of examining the pension coverage of Nova Scotians, noted the differences between public and private occupational pension benefits. Public sector employees, at all levels, are enjoying better pension benefits than do those in the private sector. Coverage of public sector employees is much higher than those in the private sector and those in the public sector, on average, enjoy better protection against inflation than do those working for private employees.

The generosity of the benefits inevitably result in higher costs of providing the pension benefits. The average taxpayer should not be obligated to assume a portion of the costs of pension benefits for public sector employees while they cannot hope to attain comparable benefits because of the inability of the private sector to assume such increased costs.

The Commission recommends that:

34 - **THE PROVINCE OF NOVA SCOTIA SHOULD ATTEMPT TO ACHIEVE PARITY WITH THE PRIVATE SECTOR IN THE PROVINCE IN TOTAL COMPENSATION OF ITS EMPLOYEES AND, IN**

PARTICULAR, SHOULD NOT PROVIDE PENSION BENEFITS MORE GENEROUS THAN THOSE GENERALLY APPLICABLE TO THE PRIVATE SECTOR (MEASURED BY THE FULL COST OF SUCH BENEFITS). THE GOVERNMENT SHOULD NOT LEAD THE WAY FOR THE PRIVATE SECTOR, PARTICULARLY IN THE AREAS OF ADJUSTING PENSIONS TO INCREASES IN INFLATION AND EARLY RETIREMENT WITHOUT APPLYING ACTUARIAL REDUCTIONS.

(Note: The general principle enunciated above apply in equal measure to public service salaries, annual leave periods, sick leave and longevity bonuses).

The Province of Nova Scotia has introduced an element of supplementation of pensions paid out by the Public Service Superannuation Fund. For this and other reasons, it is imperative that the province accept Recommendations 30, 31 and 32.

The comments made in the section on preservation of the purchasing power of pensions will, of course, apply to pensions of provincial employees. That is, with the public pensions, i.e., Old Age Security and Canada Pension Plan being indexed to the CPI and the province's partial indexing of the PSSF pensions, most provincial employees who have retired in recent years are enjoying a greater degree of income supplementation than are the bulk of those drawing pensions arising out of private employment.

OLDER PROVINCIAL PENSIONERS

Those provincial employees who retired some years ago do not enjoy the same degree of income supplementation and deserve to have their pensions re-examined to ascertain if supplementation is warranted. One note of caution is made here. The Province of Nova Scotia can ill-afford to supplement the pensioners from current revenue if to do so will only serve to reduce the amount of Guaranteed Income Supplement which flows from the federal treasury. Provincal supplementation will not increase the pensioner's income and would serve to disqualify them for benefits under special supplementary programs for the elderly that are paid only if the applicant is in receipt of the GIS. Direct provincial supplementation of such pensioners may render them ineligible for those benefits.

PENSIONS AND MUNICIPAL EMPLOYEES

As noted earlier in this Report, most public administration employees are covered by occupational pension plans. Members of the Armed Forces of Canada and the R.C.M.P. are served by plans that provide for earlier retirement taking into account the unique characteristics of the duties of those serving in these forces.

Federal Public Service employees, working with the various departments of the government, are participants in the Public Service Superannuation Plan with benefits generally superior to those enjoyed by most employees of private corporations and most of the provincial governments.

Employees of most federal crown corporations are members of plans providing benefits closely akin to those provided to federal departmental public employees.

In Nova Scotia, the Public Service Superannuation Plan provides pension benefits which were commented on in this Report and which are the subject of a number of specific recommendations.

A most successful plan for another group of public service employees is that which was instituted to provide pension coverage for the health services institutions in Nova Scotia. Covering most hospital employees, workers in some homes for special care and similar institutions, the plan has had a remarkable record of success and those responsible for instituting and developing this multi-employer pension plan are to be congratulated for the manner in which this has been accomplished.

Coverage of public service employees of the senior levels of government has been maintained to a high degree. The lowest percentage of coverage of those in public administration has been at the municipal level. In this province, the initiative for establishing pension plans for municipal employees has been left with the local government councils. With 24 rural municipal governments, 3 cities and 40 towns for a total of 67 municipal governments in Nova Scotia, 11 do not provide any form of pension plans.

On June 15, 1982, a large delegation of representatives of the Nova Scotia Division of the Canadian Union of Public Employees (CUPE) appeared before the Commission and, among other things, recommended that:

> "The Government of Nova Scotia should introduce legislation to establish a province-wide pension plan for local government employees. The plan should have the following features:
>
> A - Final average earnings plan equivalent to those in other provinces.
>
> B - Coverage to be extended to both full-time and part-time employees of municipalities, school boards, and other local government employees.
>
> C - Participation would be mandatory for all employers who do not presently provide a plan.
>
> D - Provisions should be made to cover past service, including the option of rolling over the assets of any prior plan.
>
> E - The plan to be jointly administered by a board composed of an equal number of employees and employer representatives."

MUNICIPAL PLANS IN OTHER PROVINCES

Uniform province-wide pension plans that are available to employees of municipalities and school boards are in effect in six of the provinces. The Province of New Brunswick put such a plan into effect on March 1, 1979. Other provinces with province-wide pension plans for local government employees are Alberta, British Columbia, Manitoba, Ontario and Saskatchewan.

Legislation to establish the Ontario Municipal Employees Retirement System was given Royal Assent on April 18, 1962. The plan evolved over the years to the point where, at the end of 1981, 489 municipalites, 126 school boards and 422 other local boards participated in the Ontario plan (OMERS) with 123,037 members contributing to the system. The plan provides a 2 percent final average earnings based pension, survivors' benefits and provision is made to provide partial indexing to the CPI.

The OMERS plan, as of December 31, 1981, had assets in excess of $3 billion and was investing $600 million in contributions annually. The status of the investments of the OMERS funds were:

Equities	$370,356,000 - 21 percent
Bonds	497,435,000 - 28 percent
Mortgages	483,134,000 - 27 percent
Real Estate & Special	85,593,000 - 5 percent
Short Term	340,246,000 - 19 percent
Total Capital Market Securities	1,776,764,000 - 100 percent
Special Provincial Debentures	1,293,025,000
Total Investments	$3,069,789,000

The average yield on the capital market securities portion of the OMERS portfolio was:

1978 - 10.47 percent
1979 - 10.88 percent
1980 - 10.71 percent
1981 - 12.09 percent

LOCAL GOVERNMENT PENSION PLANS IN NOVA SCOTIA

As impressive as is the OMERS plan, that of the City of Halifax has achieved even more in the form of pension benefits. The City of Halifax Pension Plan was initiated in 1951 on the basis of a 1.5 percent career average earnings plan. Over the years, the plan has grown to the point where benefits are now based on 2 percent for each year of service to a maximum of 35, survivors' benefits, early retirement on the rule of 85 and indexing of pensions to the CPI on a partial basis. The City Pension Fund has $60,000,000 under administration and, at the last actuarial evaluation, had unfunded liabilities of only $400,000.

With the re-organization of municipal school administration units in the province in the wake of the Walker Commission Report, the number of such units has been reduced. There are now 21 school boards in the province, with the teachers and administrators being members of the Teachers' Pension Plan. Some municipal units have included other school board employees in their municipal plans. A number of them have the matter under study and some have no plans to provide pension coverage.

A survey of the municipal units of Nova Scotia shows full-time employees to number 5,612 persons and 357 in part-time work.

In the survey figures, some municipal units did include the employees of school boards and other municipal corporations such as housing corporations and institutions operated by municipally sponsored agencies. In a number of cases, the figures will not include such workers; therefore, the figure quoted will be less than the actual number employed by municipal units and municipally sponsored agencies.

The Cities of Halifax, Dartmouth and Sydney and the Municipality of the County of Halifax operate their own pension plans based on professional advice and with funds entrusted to trust companies as custodians and managers of the funds.

As noted, 11 municipal units provide no pension coverage for their employees. Ten municipal units covering 184 employees are participating in a plan instituted by the Union of Nova Scotia Municipalities. This is a money purchase plan providing for the purchase of an annuity for the employee upon retirement with a guaranteed term of payment as selected by the employee. Providing only a basic pension, it does not match the benefits of the existing trusteed plans.

The balance of the municipal units are covered by RRSP plans (9), money purchase or unit benefit plans arranged with national insurance companies. The RRSP plans do not lock-in the contributions of the employees and funds are available to employees for other purposes upon termination of employment. If not withdrawn through early job termination, the income retirement options available to the RRSP plan members are limited to those now open to all holders of RRSPs.

The municipal units providing pension coverage through the purchase of plans operated by insurance companies enjoy benefits similar to those provided by the Union of Nova Scotia Municipalities' multi-employer plan and are less comprehensive in benefits than are the trusteed type plans. (One municipality has a trusteed fund managed by an insurance company.)

In a report prepared by the Financial Executive Institute of Canada, published in November 1981, it is shown that 53.8 percent of those covered by occupational pension plans in Canada are members of plans with pensions based on a percentage of final pay, final average or best average earnings. A further 20.8 percent are members of plans with pensions based on a percentage of career average earnings. Only 2.7 percent are members of plans of the money purchase type.

The Commission has been advised that the Police Association of Nova Scotia has initiated a plan to be open to those eligible for membership in PANS. According to the Executive Director of the Association, it will be a trusteed plan and hopefully will, in time, have benefits similar to those enjoyed by the Halifax, Dartmouth and Sydney Police. To date, only 22 persons have joined the plan, all being from the Town of New Glasgow Police Department.

Certainly it would be in the interest of those municipal employees who are not covered by an occupational pension plan to have a province-wide municipal pension plan introduced. There is every indication that those in career average and money-purchase plans would enjoy improved benefits under such a central plan. The municipalities will benefit by being relieved of the necessity to devote time to such matters and will result in equitable treatment for all employees.

The introduction of a province-wide plan would foster career development among munincipal officials and employees by facilitating the movement of such within the municipal field in Nova Scotia and would encourage employees to move upward within the field of municipal government.

The brief submitted by the Nova Scotia Division of the Canadian Union of Public Employees (CUPE) does strongly suggest dissatisfaction with the existing pension coverage of municipal employees and, as noted, did recommend a province-wide pension plan for local government employees.

A central plan operated under the direction of a board selected in a manner similar to that of the Ontario Plan offers great opportunities for the development of improved pensions for municipal officials and employees and would retain the control of the funds within the province to the advantages of the economy of the province.

A province-wide plan covering most municipal employees will have to be skillfully designed to cover the particular needs of the various classes of employees. For example, special provisions will have to be made for retirement at 60 for police and full-time firemen. In most cases, these civic employees' contribution are actuarially calculated at a rate high enough to permit earlier retirement without loss of pension benefits.

The Commission is not prepared to recommend the immediate introduction of a central municipal pension plan but does believe that the Department of Municipal Affairs should provide leadership in this matter.

The Commission, recognizing the excellent pension coverage provided through the pension plans of Halifax, Dartmouth, Sydney and the Municipality of the County of Halifax, excludes these local government units from the general comments of this section of the Report.

The Commission recommends that:

35 - **THE MINISTER OF MUNICIPAL AFFAIRS CONVENE A MEETING OR SERIES OF MEETINGS OF REPRESENTATIVES OF THE UNION OF NOVA SCOTIA MUNICIPALITIES, ASSOCIATION OF MUNICIPAL CLERKS AND ADMINISTRATIVE OFFICERS, ASSOCIATIONS OF MUNICIPAL FINANCE OFFICERS, POLICE ASSOCIATION OF NOVA SCOTIA, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS AND CANADIAN UNION OF PUBLIC EMPLOYEES AND SUCH OTHER PERSONS**

WHO MAY BE QUALIFIED TO PARTICIPATE IN DISCUSSIONS TO INVESTIGATE THE ADVISABILITY OF INTRODUCING A PROVINCE-WIDE MUNICIPAL TRUSTEED PENSION PLAN, WITH THE OBJECTIVE BEING THE PROVISION OF PENSIONS ON A PAR WITH THOSE AVAILABLE TO MUNICIPAL EMPLOYEES OF DARTMOUTH, SYDNEY, HALIFAX CITY AND THE MUNICIPALITY OF THE COUNTY OF HALIFAX.

In submitting the foregoing recommendation, the Commission is not suggesting that existing plans be superseded by a province-wide plan, but it does suggest, as has happened elsewhere in Canada, that if a well designed province-wide plan is introduced with the encouragement of the Government of Nova Scotia, it will in a relatively short period of time render most of the existing plans inferior to the central plan and will induce most municipalities, especially those with few employees, to join the central municipal plan.

CONVERSION OF PENSION CREDITS TO A DEATH BENEFIT

It has come to the attention of the Commission that the normal form of death benefit in some pension plans can, in unusual circumstances, be less than a return of the employee's own contributions. This can happen in plans with a survivor benefit in which both the pensioner and the survivor die shortly after the pension commences.

The Commission recommends that:

36 - THE NOVA SCOTIA PENSION BENEFITS ACT SHALL BE AMENDED TO PROVIDE THAT ON THE DEATH OF A MEMBER OR PENSIONER, OR THE SURVIVOR, IF A PENSION CONTINUES AFTER THE DEATH OF THE PENSIONER, THERE BE PAID A DEATH BENEFIT AT LEAST EQUAL TO THE MEMBER'S CONTRIBUTIONS, LESS ANY BENEFITS ALREADY PAID TO THE MEMBER, PENSIONER, OR SURVIVOR UNLESS THE MEMBER HAS SPECIFICALLY ELECTED SOME OTHER OPTIONAL FORM OF PENSION.

RESPONSIBILITY OF TRUSTEES OF MULTI-EMPLOYER PLANS

The Commission's attention has been drawn to a technical deficiency in the Nova Scotia Pension Benefits Act. This is in the area of multi-employer pension plans that typically cover all employees of a certain type in a certain industry, and which usually results from collective bargaining. An example would be a plan covering all carpenters in the construction industry, where the individual employers may range from very small to large, and where the number of employees of an individual employer may fluctuate widely from time to time. The employee's attachment is to the industry, not to an individual employer.

In such cases, the plans are administered by a committee, usually containing representatives of union and management. Applicable legislation does not contemplate this arrangement and places the onus for compliance on individual employers.

CAPSA, in their recommendations, also identified this problem.

The Commission recommends that:

37 - THE NOVA SCOTIA PENSION BENEFITS ACT BE AMENDED TO RECOGNIZE THE SPECIAL NATURE OF MULTI-EMPLOYER PLANS, AND THAT THE ONUS FOR COMPLIANCE WITH THE PROVISIONS OF THE LEGISLATION SHOULD BE PLACED ON THE BOARD OF TRUSTEES, OR SUCH SIMILAR BODY, WHICH IS CHARGED WITH THE OPERATION AND ADMINISTRATION OF THE PLAN.

MODIFICATION OF PROVINCIAL GOVERNMENT SUPPLEMENTARY PROGRAMS

The Commission notes its concern about the "all-or-nothing" aspect of some of the Nova Scotia supplementary programs as described on pages 62 to 69, especially where the qualification for admission to the program is based upon income. For example, the "Property Tax Rebate" is available in full measure to anyone who receives even the smallest amount of GIS, but it is denied completely to someone who fails to qualify for the GIS payment by even one dollar.

An alternate and fairer formula would be to have the Property Tax Rebate equal to 50 percent of the Municipal Tax Bill, less the excess of income over the amount set out as that which disqualifies a person for the GIS.

The Commission recommends that:

38 - **THE GOVERNMENT OF NOVA SCOTIA REVISE THE INCOME REQUIREMENTS FOR ANY ASSISTANCE PROGRAMS FOR THOSE 65 AND OVER TO ALLOW FOR PARTIAL PAYMENT OF BENEFITS WHERE, AT PRESENT, THE BENEFIT IS EITHER PAID IN FULL, OR NOT AT ALL.**

CO-ORDINATION OF MUNICIPAL TAX RELIEF WITH PROVINCIAL PROGRAMS

The Commission studies have disclosed that some municipalities provide tax relief to senior citizens residing in their own homes in addition to that provided by the province through the "Property Tax Rebate". Most of these municipal tax relief programs predate the provincial program and result in a lack of uniformity through the province.

The Commission recommends that:

39 - THE PROVINCE OF NOVA SCOTIA CONFER WITH THE UNION OF NOVA SCOTIA MUNICIPALITIES TO THE END THAT THERE BE A COMBINING OF THE PROPERTY TAX REBATE PROGRAM WITH THE VARIOUS MUNICIPAL TAX ASSISTANCE PROGRAMS FOR THE ELDERLY IN ORDER TO PROVIDE A UNIFORM LEVEL OF SUCH ASSISTANCE THROUGHOUT THE PROVINCE.

PENSIONS AND THE PRIMARY INDUSTRIES IN NOVA SCOTIA

The primary industries of mining, agriculture, fisheries and forestry provide direct employment for many Nova Scotians.

The largest employer in the mining section is Devco which does provide pension benefits negotiated through the United Mine Workers of America. Including the employees of the gypsum companies, most of those classified as miners or those working in the mining industry are covered by pension plans in Nova Scotia. The actual number is 5,512. This represents the best coverage of any of the primary industries and is the result of union negotiation of pensions in contract bargaining.

In the other sectors of the primary industries, the pension coverage is minimal as the following detailed notes indicate. This is because these sectors involve so many independent operators and entrepreneurs, most of whom were not permitted by law to become personally involved as pension plan participants and, therefore, lacked the motivation to institute pension plans, even if feasible from the point of a number of possible members. Information on the agricultural, fishery and forestry sectors is presented in the following sections.

PENSIONS AND THE AGRICULTURAL SECTOR

The agricultural sector, while an important part of the economy, is not a major employer in the work force of Nova Scotia.

According to figures provided by the Provincial Department of Agriculture, approximately 7,000 man-years are involved in all aspects of farming with approximately 4,000 full-time operators, about 1,600 are hired farm hands with the balance engaged in agriculture one-third or more of their time.

In the secondary or processing sector, 1,800 are engaged. It should be noted that 917 were listed in 1980 as being employed in fruit, berry and vegetable processing, but this is a seasonal operation rarely extending beyond 16 weeks. One or two such processors do sponsor pension plans but most of those in the agricultural sector must rely on the public pension system for retirement income.

Traditionally, it has been the attitude of agriculturists that the farm itself is the retirement fund of the farmer. It has been a long held belief that the farmer upon attaining retirement age, which generally would be later in years than an urban salaried worker, would sell the farm to provide the basis of a retirement income. This, of course, would be altered if the farmer had family members who wished to carry on the family farm tradition which would negate the thesis of the value of the farm being considered as the retirement fund or reduce such value below normal market value.

It is difficult to conceive of a particular pension plan that would provide for those in the agricultural field with so many individual farm operators and the number of hired farm help. It is difficult to perceive of a multi-employer plan because such would rule out the participation by the farmer-employer.

It is concluded that the expansion of the Canada Pension Plan as recommended in this Report along with amendments to the Income Tax Act to provide additional opportunities to preserve some current income through tax deferral options will provide the best means whereby those in the agricultural sector can look forward to a greater measure of financial security in retirement.

PENSIONS AND THE FISHERIES

The primary element of the fishing industry is naturally divided into two divisions. The off-shore sector* operates from boats of 45 feet or more in length and either sells its products to the larger processors or works for the processors on a share-of-the-catch basis. The in-shore sector is made up of those operating from smaller boats (under 45 feet) and usually with two to four persons on board processing their catch as salt or cured fish or selling to processors throughout the province.

The off-shore sector in Nova Scotia provides employment for 3,522 men, although the number might be subject to question today given the depressed state of the market. The in-shore sector accounts for approximately 10,600 jobs; most of those engaged in this sector are individual entrepreneurs or partners.

The Commission was advised that while executives of the larger fish companies and salaried office personnel are covered by pension plans, boat crews are not. Insofar as can be ascertained, few if any, of those engaged in the in-shore fishery are covered by an occupational pension plan.

Certain aspects of the attitudes towards pensions present in the agriculture sector of the provincial economy carry over into the fisheries especially the in-shore fishery. The boats, gear and other property (exclusive of residences) are deemed to be assets that can be disposed of to provide some funds for the provision of retirement income. This does not hold true for those working on the larger boats for the dominant fish companies. Such would have no vested right in any asset used by the major fish companies and, therefore, would not be in a position to realize any funds to be used as retirement income.

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* Including those classified as "mid-shore".

The processing sector of the industry is in a better position to provide more stable employment than are the companies engaged in the processing of agricultural products. The longer season and the continuity of supply enables the larger processors to offer more stable employment, especially those companies engaged in the production of fully processed fish food items.

Of the 7,997 earning some of their income from the processing of ocean products 3,449 are listed as being participants of some form of employer sponsored retirement income scheme. This term is used because many of them are participating in profit sharing plans that do not have the locked-in features of registered pension plans and hence do not guarantee that a retirement income will be the end result.

A spokesman for one major processor said the bulk of their employees favoured the profit sharing plan because the plan provides easy access to funds for immediate consumption. The concept of a pension plan was rejected because this would entail a further reduction in the take-home pay of the workers and would eliminate the availability of ready funds to be used for present consumption.

Given the fragmented ownership of the in-shore fishing fleet and the indifference of those working on shares on the larger vessels and the reported indifference of those workers in the processing plants, the Commission concludes that the best means of improving pension coverage and benefits for those in the fishing industry is by way of an expansion of the Canada Pension Plan, amendments to the Income Tax Act to encourage the preservation of funds for retirement on an individual basis and the adoption of some form of locked-in or immured RRSP to which the employer could make contributions, such as has been suggested in the Federal Green Paper.

TABLE 87

NUMBER OF NOVA SCOTIANS EMPLOYED IN THE FISHING INDUSTRY

PRIMARY SECTOR (Fishermen)*		SECONDARY SECTOR (Processors)**	
Number	Percentage of Income from Fishing	Number	Area
5,519	76-100 Percent	7,893	Processing/ Canning of Fish
1,723	26-75 Percent	15	Dulce
4,190	0-25 Percent	89	Irish Moss
11,432		7,997	

* SOURCE: N.S. Department of Fisheries, December 9, 1982. Figures quoted were for 1980.

**SOURCE: N.S. Department of Development: Nova Scotia Directory of Manufacturers, 1981.

TABLE 88

NUMBER OF NOVA SCOTIAN FISHERMEN
BY VESSEL SIZE CLASS

Vessel Size Class	Number of Vessels	Total Crew Members
45' (Inshore)	6,264	10,571
45' - 64' (Midshore)	224	893
65' - 99' (Offshore)	49	461
100' + (Offshore)	139	2,168
TOTALS	6,676	14,093

SOURCE: Fisheries and Oceans Canada: Scotia - Fundy Licensing Unit, Special Computer Run, December 14, 1982

TABLE 89

FISHERMEN BY COUNTIES

SHOWING

PERCENTAGE OF INCOME DERIVED FROM THE FISHERIES IN 1981

	0 - 25 Percent	26 - 75 Percent	76 - 100 Percent	TOTAL
Annapolis	72	30	92	194
Antigonish	83	76	128	287
Cape Breton	339	110	458	907
Colchester	84	32	41	157
Cumberland	71	59	38	168
Digby	146	90	702	938
Guysborough	259	107	387	753
Halifax	463	197	491	1,151
Hants	52	5	4	61
Inverness	205	158	277	640
Kings	52	5	4	61
Lunenburg	356	104	1,010	1,470
Pictou	77	110	134	321
Queens	147	46	257	450
Richmond	146	64	112	322
Shelburne	280	148	1,257	1,685
Victoria	164	115	314	593
Yarmouth	265	123	777	1,165
TOTALS	3,289	1,593	6,506	11,388

FORESTRY

Although the production and processing of wood and wood products is a very significant part of the economy of Nova Scotia, figures for employment at the primary level are not available in precise terms. Because of the fragmentation of land ownership, it is difficult, if not impossible, to define the number of people engaged in this work or the amount of time devoted to this form of activity.

However, with information supplied by the Department of Lands and Forests, it is possible, using reports of forestry production, to provide a rough estimate of the number of man-hours of employment provided. In 1980, the average work week paid $251 in wages to the individual woods worker. From 1981 production figures, it is assumed that 552,000 man-days were involved in producing nearly $14,000,000 in wages.

In addition to the man-days involved in producing logs, etc., 129,000 man-days were given over to the practise of silvaculture sponsored by the Department of Lands and Forests. A record of the time consumed in this work demonstrates that approximately 700 workers, working an average 6 months, were involved in this program. Thus, assuming that an average work year for the forestry workman averaged 6 months, it is estimated that approximately 5,000 workers were engaged in the primary sector of the forestry industry in Nova Scotia.

Few of these are covered by occupational pension plans according to the list of pension plans on file with the Superintendent of Pensions. These then would be major beneficiaries, along with those engaged in the other primary industries, of any general upward revision of the Canada Pension Plan.

CONCLUSIONS

PENSION COVERAGE IN PRIMARY INDUSTRIES

Of the approximately 30,000 Nova Scotians working six months or more per year in the primary industries, only those involved in mining can be described as being almost fully covered by occupational pension plans but, as the figures demonstrate, those represent only about 17 percent of all workers in the primary industries. For the remaining 83 percent, the Canada Pension Plan is the only pension plan in which they participate. The large number of independent fishermen, farmers and woods workers leads to the obvious conclusion that there is little hope for them to expect to come under occupational pension plan coverage in the near future.

PENSION COVERAGE OF PART-TIME WORKERS

Part-time workers in Canada make up 13.5 percent of the paid work force being almost 1.5 million people. Seventy percent of part-time workers are women and of these, 66 percent are married women.

When the Federal Task Force on part-time work, chaired by Joan Wallace, was in Halifax in September 13, 1982, she said on CBC Radio that:

1. Part-time workers are mainly women and students and are concentrated primarily in service industry and other lower paying jobs.
2. A part-time worker doing the same job as a full-time one may not be paid as highly on a per hour basis.
3. Twenty percent of women who work part-time wish to work full-time but cannot find full-time work. Others work part-time due to family responsibilities, for example, raising children. She suggested that with better day-care facilities, one might see more women working at or looking for full-time jobs.
4. Part-timers lose out in many benefits - sick days, medical plans, training programs, and pensions. Employers are not required to provide benefits for part-timers, even if provided for full-time employees. Also, part-timers usually do not belong to the union bargaining for these benefits. (According to a 1979 Statistics Canada publication entitled "Labour Unions", unions do tend to ensure the existence of a private pension plan as part of the employee's benefit package,

but women comprise only 29.39 percent of all union members in Canada. Also, women tend to be concentrated in the service sector which usually are small, non-unionized firms).

Married women who work outside the home are often viewed as working only to earn money for extras such as vacations and second cars. However, most of these women work out of financial necessity or to keep their professional skills up-to-date. For these reasons, women must be considered to be legitimate participants in the labour force.

Part-time workers are important in many businesses requiring extra help during peak hours, particularly in the retail trade and service industries. However, many of these workers are made to feel that their contributions are not as important as those of full-time employees.

Employers, however, cannot be expected to give part-time workers benefits that their full-time staff do not enjoy. But for those employers whose full-time workers already have benefits, it seems unjust that their part-time staff should be denied the same advantages.

The current recession has resulted in many more part-time positions being created. According to Statistics Canada, an average part-time work week constitutes 14.4 hours, while the average full-time worker works 34.9 hours. Many companies, to reduce lay-offs, have maintained positions through job-sharing. The benefits of these former full-time workers have not been withdrawn. It appears to be reasonable that other workers employed for the same number of hours receive such benefits as well. With more jobs being created through part-time work and with people (mostly women) working part-time due to financial necessity, there will be many more employees deprived of pension benefits unless action is taken to protect their rights.

The Nova Scotia figures for 1976 show that 37 percent of the married female population of Nova Scotia 15 years of age and over participated in the paid work force - included in those figures are 11,065 women who are separated from their husbands but not divorced. As would be expected, the highest degree of participation is in the age 20-24 group with 51.2 percent working. The lowest is in the 60-64 and 65 and over categories with 18.9 percent and 4.4 percent participation respectively.

While part-time work is not restricted to women, this issue is advanced in this section of the Report because, as noted, 70 percent of part-time workers in Canada are women.

Consistent with the arguments advanced in support of the elimination of the Year's Basic Exemption (YBE) in the calculation of contributions to the CPP, and in keeping with the spirit of Section "B" of Recommendation Number 10, it is suggested that the Pension Benefits Act be amended to provide that where an occupational pension plan is in place, provision be made to include part-time workers under pension plan coverage.

Difficulty was experienced in defining part-time work. It was thought that any time less than 40 hours would be considered part-time, but Statistics Canada figures show the average full-time worker puts in only 34.9 hours on the job. The same source reported the average part-time work week as being 14.4 hours.

Many businesses in the service industries could not survive without the services of part-time workers. Some retail establishments carry a small core of full-time employees and rely on part-time help for the bulk of their workers. Many supermarkets and fast food outlets fall into this category. In some cases, employees are deliberately held below a specified number of hours of work per week to debar them from benefits applicable to full-time employees. Legislation to provide some of these benefits to all employees, such as holiday and vacation pay, has been in place for many years.

The Commission is of the opinion that pension coverage, if provided to full-time or permanent employees, should also be extended to part-time employees. All employees over 18 years of age are covered by the CPP and contribute to the CPP fund. In Recommendation Number 23, the Commission recommended 'Day-One' deductions where an occupational pension plan is in place. Combining these two elements, contributions to the CPP and Day-One contributions, leads to the natural conclusion that all employees of a business sponsoring an occupational pension plan be required to extend coverage in such plan to part-time as well as full-time employees.

The Commission recommends that:

40 - IF LEGISLATION IS ENACTED TO PROVIDE FOR 'DAY-ONE' CONTRIBUTIONS TO OCCUPATIONAL PENSION PLANS AS ADVOCATED IN RECOMMENDATION NUMBER 23, THAT SUCH PLANS BE REQUIRED BY AMENDMENTS TO THE PENSIONS BENEFITS ACT TO EXTEND PENSION COVERAGE TO ALL EMPLOYEES, NOTWITHSTANDING THE FACT THAT SOME OF THE EMPLOYEES WILL WORK LESS TIME THAN THAT DESIGNATED AS A FULL WORK WEEK OR WHO WORK FOR SOME FULL WEEKS BUT NOT ALL OF THE WORKING DAYS IN THE MONTH. STUDENTS ENGAGED TO WORK FULL TO PART-TIME FOR A FIXED TERM OF LESS THAN SIX MONTHS AND PERSONS UNDER THE AGE OF 18 OR OVER THE AGE OF 65 YEARS SHOULD BE EXEMPTED UNDER ANY SUCH ENACTMENT.

PENSION CONCERNS OF WOMEN

A number of well researched presentations were made to the Commission at the Public Hearings by representatives of women's organizations and individuals. Among the concerns expressed were the following:

1 - The absence of provisions for survivor's benefits in most occupational pension plans.

2 - The inadequacy of survivor's benefits where and when provided.

3 - The cancellation of survivor's benefits in the event of re-marriage.

4 - The failure to extend survivor's benefits to kinfolk who provide full-time maintenance of the home unit where there is no spouse, even though a common-law partner would qualify.

5 - Pension plans providing survivor's benefits make only minimal provision for survivors where the contributor has not accumulated a significant pension credit.

6 - Very few pension plans make provision for the accumulation of pension credits for part-time work, most of which is performed by women.

7 - Large numbers of women who work in seasonal occupations are seldom covered by occupational pension plans.

8 - Women who work in small offices for professionals are seldom covered by occupational plans.

9 - Traditional lower income earnings of women result in lower pensions.

10 - Lack of portability in pension benefits bears more heavily on women.

11 - Married women who leave jobs to move when their husbands are transferred endure longer periods of unemployment hence have reduced opportunities to accumulate pension credits in their own right. This is compounded in the cases of women over fifty years of age because persons in these age categories have lower job prospects.

12 - Loss of pension qualifying time and hence pension credits due to absence from the work force to raise children.

13 - Need to provide greater fairness in treatment of women who re-enter paid work force after raising children and who would have limited time in which to amass tax-deferred retirement savings.

14 - No pension plan coverage for those women who elect to devote full-time as homemakers and are, therefore, not part of the paid labour force. Suggestions were made that CPP should permit voluntary contributions to provide such coverage.

15 - Contributions to pension plans reduce family disposable income, therefore, pension credits should be regarded as family assets.

16 - No legislative requirement to provide for division of accumulated pension credits in the event of marriage breakdown.

17 - No recognition of joint assets in common-law unions.

18 - No legal provision for splitting of RRSP funds on marriage breakdown.

19 - Little information provided to spouses of pension plan members, in particular, information on disposition of pension credits on the death of the plan member.

20 - Lack of concern by most women in pension matters both as to primary coverage and survivor's benefits with resulting reluctance to press for early entry into pension plans.

21 - Need to mandate earlier vesting to assure longer contributory period and, therefore, greater benefits.

22 - In money purchase plans, longer life expectancy of women result in lower annuity payments. This is claimed to be unfair to women.

23 - Little or no provision made to protect against erosion of pension values due to inflation.

24 - Inadequacy of pension income to women now retired, especially older single women.

An examination of these issues must recognize two distinct aspects:

A) The position of women in the traditional position of dependency on a husband for maintenance, and

B) The changes both in law and custom and increasing marriage breakdown resulting in greater independence in today's women.

There are still many women living what is here described as the traditional life-style but there has been an increasing incidence of marriage breakdown, with Nova

Scotia figures being on a par with those of Canada. Another factor to be considered is the growth of the common-law unions even if, in many cases, such are sealed by a subsequent marriage contract.

The Pension Commission of Manitoba in its publication, "Sister, Will You Have A Dime" said,

> **"each spouse should have an equal and automatic right to any property acquired during the marriage".**

The right of spouses to share in the assets that each brings to and earns during their marriage has become a well recognized one in our society. By law, through Provincial Matrimonial Property Acts, marital assets must be divided equally between spouses upon marriage breakdown.

Few provinces, however, have specifically designated pensions, RRSPs, insurance, etc., as matrimonial assets leaving the decision of whether or not they are assets to be divided to the discretion of the Divorce Court Judge. In many cases, the Courts have defined pensions as "deferred family income" and, therefore, matrimonial assets. Difficulties arise in deciding how and when the pension should be divided.

The Nova Scotia Divorce Act states that all claims to matrimonial assets must be settled at the time of the trial. It does not allow the Court to make orders in the future after the divorce. The judge who decides that the pension of one spouse should be shared with the other must first determine the value of the pension and second, decide by what mechanism the pension should be divided. Usually, an uneven division of other matrimonial assets is made in order to compensate for pension credits being left in the plan member's control. This is the only option presently allowed under the Divorce Act.

The uneven division of assets is usually based on the present value of the employee contributions to the plan. In most pension plans, the value of the contributions does not reflect the value of the pension which will result. However, the non-member spouse has no choice but to settle for a lump sum benefit or increased monthly maintenance payments in lieu of a pension during retirement. Trading off retirement income for immediate cash settlement appears to negate the purpose for which pension plan reservations were designed. It might be argued that the ex-spouse receiving the payment(s) should put aside a portion to make up for the lost pension benefit. However, a newly divorced person, especially a woman who has been a homemaker, will have many current expenditures and will probably use whatever funds are available. If the funds were not on hand, most people would find some other way of meeting current financial needs.

As noted above, the settlement based upon contributions made by the employee-spouse will not reflect the value of the pension nor will it afford any protection if the employee-spouse should die and maintenance payments cease.

In a report of a British Columbia divorce case, the author discussed the "hybrid nature" of a pension:

> "It is both a property asset and a maintenance asset, it is a clear source of capital property. As well, it provides the means whereby maintenance obligations can be honoured when employment ceases. The dependent spouse cannot have it both ways. She cannot take the property (that is, a cash settlement in lieu of a share of the pension) and subsequently hope for maintenance when the source is gone." [1]

In this particular case, the couple were married for 30 years. The husband had already worked the maximum years required by the B.C. Provincial Government Plan (35 years) but was 2 years short of age 55 - the first age at which he could receive a full pension. During his working career, he and his wife had agreed to contribute extra amounts to the plan in order to have a higher pension benefit. The value of the paid-in contributions was $31,188.20. However, the husband estimated that he would receive a retirement benefit of approximately $1,800 per month at age 55. (This is the age he had planned to retire before the marriage broke down.)

When the couple separated, the husband attempted to make their two children the only beneficiaries of his pension assets. The presiding judge, Bouck, overruled this, stating that the wife was entitled to half the pension. If he died before he retired, she would receive half of the value of the contributions refunded from the plan. If he did not retire at age 55, as earlier planned, she would be entitled to maintenance payments equal to half of what his monthly pension would have been had he retired. If he retires at age 55, she will receive one-half of the pension, not as maintenance, but as her share of the return of the investment (contribution).

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[1] Reports of Family Law, "Rutherford vs Rutherford", Volume 14 (1980), Pg. 46.

The author of the case discussion added these comments:

> **"The difficulties of evaluating pensions and the tax implications of severing a pension prior to vesting, even where this is possible, are such that the approach of Bouck J. (the presiding judge) has much to commend it:**
>
> **If the husband dies (before retirement), the wife's capital interest is fixed (half the paid-in contributions); if he defers receipt (retires later than age 55), he pays maintenance; if he takes the pension, the wife receives one-half as capital payments.[1]**

This case demonstrates what can be done when the court has the power to make orders concerning divisions of assets which have a future "unknown" value. For this particular couple, it was quite straight forward:

1) The wife had been working full-time for three years and did not need extra funds at this time.
2) Only two years of pension contributions would not be a joint contribution of the couple. (The husband was only two years away from retirement.)
3) There was no other ex-wife with a claim to the pension.

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[1] Reports of Family Law, "Rutherford vs Rutherford", Volume 14 (1990), Pg. 46.

4) The pension was vested and locked-in in the husband's name.

One issue not addressed in this case was the right of either spouse to the contributions made by the employer.

In some plans, the employee is not required to make any contribution. However, the pension plan provided by the employer may be viewed as an inducement to accept employment in preference to working for a competing employer who offers no pension plan. The fact that an employee is a member of a pension plan limits the amount of annual income that he can divert into an RRSP ($3,500 instead of $5,500 if there were no plan). If he wants to contribute to a spousal RRSP for his wife, he is again limited by his personal annual limit. Therefore, the fact that the employer has a plan but does not allow the employee to contribute, can have a far-reaching effect on family retirement saving and tax planning. If the employer works for this company until retirement, there is no problem, he receives the benefit from the contributions. However, if he leaves the company before the pension is locked-in or he dies before retirement, then, in most cases, there is no benefit or "return" of contributions. If he and his wife divorce, there may be no share of contributions for her to receive should he die before retirement, lost because of the provisions of the plan in which her husband was a member.

Another question raised in the "Pension Splitting Debate" is how many years should one have to be married in order to have a claim on the spouse's pension? Also, should credits accumulated at the time of the marriage be considered part of the pension to be split along with those contributions made during the years of the marriage? The only answer to this is that other assets brought to the marriage are considered to be community property, so why not the pension? As for the number of years that one should be married, one might look to the CPP/QPP. Here, provision is made for splitting pension credits only if one of the partners applies to have this done within 36 months of the date of divorce. The CPP/QPP require that a couple have cohabited for 36 consecutive months since their marriage date in order to have a claim on one another's CPP/QPP credits. Since this change was introduced (1978), less than 1 percent of divorced couples have applied for it.

The reasons for this low application rate are not known. It is not because they have failed to meet the length of cohabitation requirement. The following table gives the duration of marriage at the time of divorce.

TABLE 90

DURATION OF MARRIAGE AT TIME OF DIVORCE

CANADA, 1976

Less than 5 years	16.4 percent
Less than 10 years	29.5 percent
10 years to 19 years	30.9 percent
20 years or more	23.2 percent

Note: Median duration of marriage at time of divorce, in 1977, was 10.5 years.

SOURCE: Canada Year Book, 1980-81.

The following are advanced as some possible reasons why many fail to apply for CPP credits:

1) People in general are not aware of the provisions of the CPP. Lawyers were notified when the change was introduced, but many may still not be aware of it. In Quebec, the QPP has a public pamphlet on pension splitting. The CPP has no equivalent publication.
2) People who do know about this change may not bother applying because the amount of credits may be too small or the application procedure may seem too complicated.
3) The Advisory Council on the Status of Women pointed out that many newly divorced women need money and will accept a cash settlement in lieu of CPP.

Many of the women's group submissions requested that CPP credits be split automatically upon final decree of divorce. They would prefer that these credits be split during the marriage, but would settle for after the marriage, as long as the woman is protected. It is easier to split CPP credits because both employee and employer contributions are immediately vested in the employee's name. The same goes for RRSP contributions - their value is easily determined and divided.

Since most private plans are unit benefit ones and do not vest to the employee immediately, dividing the credits seems to be more cumbersome. Earlier vesting and greater portability between plans will improve the value of these pensions. The easiest and perhaps fairest way to divide the pension may be when the benefit is paid. This means that a change in the Divorce Act will be needed in order to give the courts the power to make future orders and divide pension benefits. The Matrimonial Property Act should also specifically name RRSPs and private pensions as matrimonial assets.

By leaving the division of pensions up to the courts, private plans will not be encumbered by claims against employee pensions by their ex-spouses. CAPSA states that,

> **"any partition of rights relative to a pension plan should not create new liabilities for the plan".** [1]

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[1] CAPSA "Reform of Private Pension Plans", Pg. 33

This does not seem unreasonable. However, CAPSA also stated that survivor benefits provided by a plan (if they are provided) are not a

> **"benefit or gift that belongs to any plan member whether married or not".** [1]

Perhaps they are right in that the plan should not have to incur the expense of providing a survivor's benefit to an ex-spouse of a deceased plan member. However, if survivor benefits are changed to the joint and survivor election, as proposed earlier, the plan member should be required to make provision for the ex-spouse. Otherwise, she will receive no benefits if her ex-spouse dies before retirement, and may have them cut off if he dies after retirement without making the election on her behalf.

If there is a second wife, then the two must share in the benefits according perhaps to the length of time each was married to the plan member. It would seem reasonable, then, in this circumstance that the plan member choose a survivor benefit level that is relatively high (80 to 100 percent), since it must be shared. Each spouse (wife) could have a say in what level is taken. Again, this could be done among the parties involved, through the courts if necessary, but with no involvement by the plan administrators except to do what is legally required.

Divorce is becoming more commonplace in Nova Scotia but not to the degree in some other jurisdictions. The following table demonstrates the increase in the number and proportion of divorced people.

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[1] CAPSA, March/82, Pg. 32

TABLE 91

NOVA SCOTIA POPULATION BY MARITAL STATUS

1976 AND 1981

	1976		1981	
	Number	Percentage	Number	Percentage
Single	172,815	28.6	184,510	28.4
Married	380,395	62.9	402,505	62.0
Widowed	42,170	6.9	45,480	7.0
Divorced	9,460	1.6	16,450	2.5
TOTAL POPULATION (15 Yr. and Over)	604,840	100.0	648,945	100.0

SOURCE: N.S. Development Information: 1981 Census of Canada - Statistical Release No. 3, August 5, 1982.

With an increasing number of marriages ending in divorce, it is recognized that some mechanism must be developed whereby pension assets can be fairly divided.

There are men and women other than those who are legally divorced, who require protection of their pension rights. These are common-law spouses and deserted wives or husbands.

Presently, common-law unions are not recognized by the part of the Nova Scotia Matrimonial Properties Act which deals with the division of assets. Otherwise, they are treated like any legal marriage after the couple has lived together for two years. Therefore, a woman who lives with a man for ten years has no claim to any assets that are in his name, including pensions and RRSPs. It has been suggested that assets should be divided between eligible common-law spouses in the same manner as for married people.

Under the CPP, common-law relationships are recognized after the couple has co-habited for one year or three years if one of them is legally married to someone else. The QPP states that they must have lived together for two years or seven years if one is married. Many of the women's groups expressed concern over the lack of uniformity in the years required to live together as expressed by laws of different jurisdictions. They stated that the time required should be nationally uniform.

In Nova Scotia, in June 1982, there were 2,637 deserted wives receiving public family benefits. The total monthly payments made to these women was $1,174,915, giving them an average benefit of $445.55 per month. Assuming that they were not in the work force before their husbands left them, then these women will have no pension protection. The amount that they receive is hardly enough to live on, let alone save for retirement. If the men who left them are working and have CPP and private pension credits, these women are entitled to a share in them. At present, there is little effort made to compel these men to provide for their families, let alone share their pension credits.

Would it be a violation of anyone's civil rights if government records were used to locate a man who deserts his wife and children, in many cases, resulting in their being made wards of the state, when such a man places the onus for their support on the rest of the taxpayers?

TABLE 92

MARRIED FEMALE POPULATION
15 YEARS AND OVER BY AGE GROUP AND
PARTICIPATION IN THE LABOUR FORCE
NOVA SCOTIA 1976

AGE	LABOUR FORCE	NOT IN LABOUR FORCE	TOTAL	% NOT IN
15-19	1,475	2,140	3,615	59.2
20-24	10,415	9,910	20,325	48.8
25-34	22,230	29,390	51,620	56.9
35-44	16,210	20,660	36,870	56.0
45-54	12,735	21,015	33,750	62.3
55-59	4,320	10,820	15,140	71.5
60-64	2,305	9,905	12,210	81.1
TOTAL TO 64	69,690	103,845	173,535	59.8
65 & OVER	725	15,815	16,540	95.6
TOTAL	70,415	119,660	190,075*	63.0

* 11,065 women in this category were separated from their spouses.

SOURCE: Statistics Canada - 1976 Census.

The following table shows participation in the paid labour force of the married female population 15 years and over by age group, for Canada 1976. These figures indicate a higher degree of participation in the paid labour force than is the case in Nova Scotia.

TABLE 93

MARRIED FEMALE POPULATION 15 YEARS AND OVER BY AGE GROUP & PARTICIPATION IN THE LABOUR FORCE CANADA 1976

AGE	LABOUR FORCE	NOT IN LABOUR FORCE	TOTAL	% NOT IN
15-19	46,070	46,470	92,540	50.2
20-24	333,390	242,205	575,595	42.1
25-34	732,245	769,875	1,502,120	51.3
35-44	571,305	553,850	1,125,155	49.2
45-54	482,575	564,430	1,047,105	53.9
55-59	140,895	258,745	399,640	64.8
60-64	70,505	244,990	315,495	77.7
TOTAL TO 64	2,376,980	2,680,670	5,057,650	53.0
65 and OVER	26,075	410,490	436,565	94.0
TOTAL	2,403,055	3,091,160	5,494,215	56.3

SOURCE: Statistics Canada - 1976 Census

In the matter of survivors' benefits, the Commission has made several recommendations. In Recommendation Number 23, the Commission has advanced the idea that in all pension plans coming under provincial jurisdiction, that survivors' benefits become mandatory unless rights are waived by the spouse in a prescribed manner. In the same recommendation, the spousal benefit was set at 60 percent of the primary benefit.

In Recommendation Number 26, the Commission concluded that the pensioner without a spouse had the right to designate a dependent to be the recipient of any survivors' benefits.

The concept of a widow's pension stopping on remarriage assumes that a woman was a dependent of the male and when she remarried, she became the responsibility of some other male. While this may just have had some validity in the past, it is no longer true. Because of human rights legislation, the widow's pension has become a surviving spouse's pension, irrespective of sex, and the concept of dependence has no place. Such pensions are frequently paid to those who have no financial need. The concept of need has effectively been replaced by one of entitlement, subject to the terms of individual pension plans.

Further, the remarriage disqualification may have discouraged marriages which were in everyone's best interest, or encouraged common-law marriages with possible emotional trauma. Further, as spouse's pensions are now frequently paid to common-law spouses, logic suggests that pensions should cease on entering into a common-law arrangement as well as a formal union. Obviously, this is unworkable. Actuarial advice is that the elimination of re-marriage provisions would increase costs only marginally.

After examination of all of the pertinent information, the Commission concluded that re-marriage should not result in the cancellation of any spousal benefits derived from a previous marriage union. The Commission recommends that:

41 - **THE PENSION BENEFITS ACT BE AMENDED TO PROVIDE THAT IN PENSION PLANS REGISTERED IN NOVA SCOTIA PROVISIONS BE MADE SO THAT ANY PERSON IN RECEIPT OF A SPOUSAL PENSION BENEFIT AS A RESULT OF THE DEATH OF A PENSION PLAN CONTRIBUTOR SHOULD NOT LOSE SUCH BENEFIT BECAUSE OF SUBSEQUENT RE-MARRIAGE, BUT RATHER THAT SUCH BENEFIT BE CONTINUED TO BE PAID WITHOUT INTERRUPTION UNTIL THE DEATH OF THE RECIPIENT OF SUCH SPOUSAL BENEFIT.**

The Commission has responded positively to the first four concerns as expressed in the list on page 377.

Point five reads, **"Pension plans providing survivors' benefits make only minimal provision for survivors where the contributor has not accumulated a significant pension credit".** This particular item deals with the situation where a plan member of young age and only a few years of service dies and leaves a surviving spouse and dependent children.

The Commission concluded that pension plans were intended to provide benefits in retirement or in the case of disability. Where such occurs as a result of industrial accident or exposure to hazardous conditions, the Provincial Workers' Compensation Benefits would apply but, in other circumstances, it is concluded that the best and most economical method of providing for this contingency would be to encourage employers to provide group insurance plans for death or permanent disability.

The Commission recommends that:

42 - EMPLOYERS BE ENCOURAGED TO CONTRACT FOR THE PROVISION OF GROUP LIFE AND DISABILITY INSURANCE PLANS TO PROVIDE BENEFITS FOR EMPLOYEES, ESPECIALLY THOSE IN THE EARLY YEARS OF EMPLOYMENT.

Point six of the list of Pension Concerns of Women reads, **"Very few pension plans make provision for the accumulation of pension credits for part-time work, most of which is performed by women".** The Commission's Recommendation Number 40 responds to the issue raised in point six.

Point number seven states **"Large numbers of women who work in seasonal occupations are seldom covered by occupational pension plans."** , and

Point number eight avers **"Women who work in small offices for professionals are seldom covered by occupational plans."**

The Commission believes that the suggested upgrading of the Canada Pension Plan and the introduction of the locked-in or immured RRSP will result in women working in these conditions accumulating improved pension credits.

Point number nine reads, **"Traditional lower income earnings of women result in lower pensions."**

The Commission was unable to respond in a positive manner to the fact that the traditional lower income earnings of women result in lower pensions. The Commission was concerned that those proceeding to pension would not suffer significant reduction in living standards in retirement. The women's groups who advanced this objection will have to seek redress through other channels.

Point number ten reads, **"Lack of portability in pension benefits bears more heavily on women."**

The lack of portability in pension benefits does bear more heavily on women, but if the recommendations in this Report on earlier vesting (Recommendation Number 17), Day-One contributions (Recommendation Number 23), the establishment of the central pension registry (Recommendation Number 20) and the possible adoption by the federal government of the suggested RPA are all accepted, then improved portability in pension benefits will result not only for women, but for men as well.

Point number eleven claimed that, **"Married women who leave jobs to move when their husbands are transferred endure longer periods of unemployment hence have reduced opportunities to accumulate pension credits in their own right. This is compounded in the cases of women over 50 years of age because persons in this age category have lower job prospects."**

The Commission finds that it is difficult to suggest any remedy for the resulting unemployment, but the Human Rights Legislation does afford some measure of protection to older persons.

Point number twelve lists, **"Loss of pension qualifying time and hence pension credits due to absence from the work force to raise children."**

The Commission has in Recommendation Number 1 supported the child-care drop-out provision in the CPP, but has been unable to find the mechanism to carry this provision over into occupational pensions.

Point number thirteen suggested that there is **"need to provide greater fairness in treatment of women who re-enter paid work force after raising children and who would have limited time in which to amass tax-deferred savings".**

The child-care drop-out provision in Recommendation Number 1 will assist women in accumulating benefits under the CPP, and the Federal Green Paper does suggest that the income tax laws be amended to permit increased tax-deferred retirement savings for those who, for a number of reasons, were unable to take advantage of such in prior years. The Commission believes that this will be of assistance to those who make a late return to the work force.

Point number fourteen was one of those items which appeared in every brief submitted by advocates for women's groups. **"No pension plan coverage for those women who elect to devote full-time as homemakers and are, therefore, not part of the paid labour force. Suggestions were made that CPP should permit voluntary contributions to provide such coverage."**

The suggestion that homemakers be permitted to contribute to the Canada Pension Plan in their own right has been advanced by many women's groups over the past few years.

Some difficulty has been experienced in attempting to determine what level should be accepted as the assumed wages to be used as the base rate. The generally agreed base is one-half of the minimum age as established by Labour Canada. It was further suggested that in as much as housewives were rendering national service by maintaining a home and raising a family that the state contribute what would otherwise be the contribution of the employer.

The arguments against the proposal are:

A. The chief beneficiaries of such a scheme will be the spouses of the more affluent. Those below the AIW would not be financially able to contribute to such a scheme and the means are already available through the RRSP's to reserve funds for retirement.

B. A working housewife would be contributing at her place of employment and while also assuming homemaker responsibilities, would not be permitted to contribute in the same manner as women in the first category and thus be denied a second benefit.

C. The female component of the labour force has been expanding steadily since the Second World War and, at the present time, constitutes in excess of 30 percent of the work force. Social scientists estimate by the end of the present century, 70 percent of females of working age will be in the paid work force and hence covered by the CPP and, in some cases, by occupational pension plans.

D. Women outside of the paid labour force are entitled to receive the Old Age Security in their own right without a needs or means test and can thus be described as being recipients of pensions in their own right.

Improved pension coverage, legal division of pension credits on marriage breakdown and other advances in pension legislation will secure for women a better retirement income. Accordingly, the Commission could not accede to the request that it recommend a provision for coverage of housewives in the CPP. (See page 484).

Point fifteen claimed that, **"Contributions to pension plans reduce family disposable income, therefore, pension credits should be regarded as family assets."**

Point sixteen asserted that there is, **"no legislative requirement to provide for division of accumulated pension credits in the event of marriage breakdown".**

The Commission had no difficulty in accepting the thesis that pension plan contributions reduce family disposable income and, therefore, accumulated pension credits should be deemed to be family assets.

One guiding principle is that the dissolution of a marriage should not require a pension fund to make a payment it would not otherwise have had to make, nor create a loss to the fund. The payment may be directed to another person, but the conditions attaching thereto that are part of the rules of the pension plan, must be met. This principle has been adhered to in all the recommendations with respect to pension splitting that follow.

Point number seventeen, **"No recognition of joint assets in common-law union", and point number eighteen, "No legal provision for splitting of RRSP funds on marriage breakdown",** were also considered in the drafting of the following:

The Commission recommends that:

43 - THE MATRIMONIAL PROPERTY ACT BE AMENDED TO PROVIDE THAT PENSION PLAN CREDITS, REGISTERED RETIREMENT SAVINGS FUNDS AND ANY SIMILAR INSTRUMENTS FOR THE PRESERVATION OF FUNDS IN RETIREMENT, ACCUMULATED DURING THE YEARS OF MARRIAGE, BE DEEMED TO BE THE JOINT PROPERTY OF THE TWO PARTIES IN MARRIAGE AND BE CONSIDERED AS SUCH BY THE COURT WHEN MAKING ORDERS ON THE DISPOSITION OF SUCH ASSETS IN THE EVENT OF A DISSOLUTION OF A MARRIAGE.

The Commission recommends that:

44 - THE SAME PRINCIPLES AS ENUNCIATED IN RESOLUTION NUMBER 43 BE APPLIED IN THE DRAFTING OF ANY SUCH LAWS TO PROVIDE FOR THE SAME DIVISION OF ASSETS WHEN A COMMON-LAW UNION IS TERMINATED WHERE AN APPLICATION FOR SUCH AN ORDER FOR DIVISION OF SUCH ASSETS IS MADE BY ONE OF THE PARTIES OR ON BEHALF OF MINOR CHILDREN OF SUCH UNION.

Point nineteen alleged that, **"little information provided to spouses of pension plan members, in particular, information on disposition of pension credits on the death of the plan member".** Several of the recommendations of the Commission address themselves to this particular concern and the Commission has recommended the mandatory provision of pension plan information to plan members on an annual basis and that such be delivered to the home address of the plan member (see Recommendation Number 21 - Subsection E).

Point twenty notes the **"lack of concern by most women in pension matters, both as to primary coverage and survivors' benefits, with resulting reluctance to press for early entry into pension plans".**

The Commission is of the opinion that these concerns of women should be addressed to women and indeed since the Commission has undertaken the present study, a number of conferences on these subjects and many magazine and newspaper articles have served to make women more aware of pension matters.

Point twenty-one mentions the **"need to mandate earlier vesting to assure longer contributory periods and, therefore, greater benefits".**

The Commission has recommended earlier vesting in Recommendation Number 17.

Point twenty-two claims that **"in money purchase plans, longer life expectancy of women result in lower annuity payments. This is claimed to be unfair to women".**

The claim that, in money purchase plans, women draw lower annuity payments because of longer life expectancy and hence are unfair to women is not one that the Commission can recommended be redressed. Governments would find it very difficult if not impossible to instruct private insurance companies to ignore mortality tables. On the other hand, it has been argued that since women will be drawing pension benefits for a longer period of time that they be required to contribute a greater precentage of their wages into the occupational pension plans and the Canada Pension Plan, although the Commission does not support this argument.

Point twenty-three states "**little or no provision made to protect against erosion of pension value due to inflation**".

The Commission believes that this is not a problem of concern to women only; it also applies equally to men and married couples. The Commission reported on this issue in greater detail in the Report commencing on page 322 of Volume II.

Point twenty-four deplores the "**inadequacy of pension income to women now retired, especially older single women**".

There is no question that older, single women who retired some years ago are in need of greater financial assistance as noted in point 24. The Commission's position in this respect are put forward out in Recommendations 5, 6, and 7 as set out on pages 201, 202 and 203 of Volume I.

If partners in marriage unions or common-law relationships are entitled to a share in the division of matrimonial assets, including pension credits accumulated during the union, then wives deserted by their husbands and husbands deserted by their wives should logically be entitled in the same manner to a share of the matrimonial assets including pension credits.

More often the absconding partner is male and quite frequently leaves the province of residence of the spouse. The union is not usually formally dissolved but frequently the absconder enters into a common-law relationship with another. Under the Canada Pension Plan, the common-law partner can claim survivor's benefits and the abandoned legal wife, because she is not aware of the death of her husband, fails to make a claim and is thus denied pension benefits earned during the marriage. Even if a claim is filed by the deserted wife, it is possible that the Canada Pension authorities may award the total survivor's benefit to the common-law partner.

It appears to be just and proper that a deserted wife be entitled to file a claim against the pension credits earned by her absconding spouse during the years of the marriage union and to hold rights to those credits proportionate to the time married to the absconding spouse. No benefits would be paid under any such division of pension benefits until the death of the contributor or his retirement at which time she would be entitled to receive a portion of his total CPP.

The Commission recommends that:

45 - THE GOVERNMENT OF NOVA SCOTIA REQUEST THE GOVERNMENT OF CANADA TO AMEND THE PROVISIONS OF THE CANADA PENSION PLAN TO PROVIDE THAT A DESERTED PARTNER OF A MARITAL UNION BE ENTITLED TO CLAIM A SHARE OF THE CANADA PENSION PLAN BENEFIT EARNED DURING THE UNION BY THE ABSCONDING SPOUSE. SUCH SHARE OF RIGHTS TO BE HELD IN THE NAME OF THE DESERTED SPOUSE UNTIL THE DEATH OF THE CONTRIBUTOR OR UNTIL THE INITIAL PAYMENT OF A CPP BENEFIT, A PORTION OF WHICH SHALL BE PAID TO THE DESERTED PARTNER WHO MADE THE ORIGINAL CLAIM AND SUBSTANTIATED ENTITLEMENT THERETO.

Legislation to provide that all CPP credits earned during marriage be divided equally between the contributor and the spouse would be an alternative to Recommendation Number 45. If this was enacted, there would be no need for special provisions on divorce, separation or desertion. Many women's groups requested that half of the contributor's pension be paid to the spouse. This concept has the advantage of simplification and is worthy of consideration.

The Commission, however, believes that most Canadians are not yet prepared to accept this concept and that its recommendations on pension splitting on marriage dissolution are more likely to meet public acceptance.

The Commission further recommends that:

46 - THE GOVERNMENT OF NOVA SCOTIA AMEND THE MATRIMONIAL PROPERTY ACT AND THE PENSION BENEFITS ACT TO PROVIDE THE SAME DEGREE OF PENSION SHARING OF OCCUPATIONAL PLAN BENEFITS WITH DESERTED SPOUSES OF MARITAL UNIONS IN THE SAME MANNER AS THAT DESCRIBED IN RECOMMENDATION 45.

In Recommendations 43, 44, 45 and 46, the Commission has drawn attention to the inequities in the existing laws concerning the division of pension benefits in the case of marriage breakdown and has suggested remedial action. There are other circumstances where a marriage union ceases to be a social unit. Persons separated but not divorced would also suffer the loss of pension benefits under the Canada Pension Plan if one of the separated parties entered into a common-law relationship which would be recognized by the Canada Pension Plan, in which case the common-law survivor would be entitled to survivor's benefits. The Commission is of the opinion that the parties to the separation should be entitled to CPP survivor's benefits earned by one or both parties during the period of the union, where no agreement for maintenance is reached and legally recorded.

that the separated spouse should be entitled to full survivor's benefits in the event of death of the CPP contributor and should be entitled to one-half of the CPP paid out when the contributor draws such benefits at retirement or in the event of disability.

The Commission recommends that:

47 - **THE GOVERNMENT OF NOVA SCOTIA REQUEST THE GOVERNMENT OF CANADA TO AMEND THE CANADA PENSION PLAN TO PROVIDE THAT PERSONS IN A MARITAL UNION DISRUPTED BY A SEPARATION BE ENTITLED TO ACCUMULATE CREDITS FOR THE CALCULATION OF SPOUSAL BENEFITS FOR THE YEARS OF THE UNION PRIOR TO SUCH DISRUPTION. WHERE A MAINTENANCE ORDER WAS ISSUED BY DULY CONSTITUTED AUTHORITY AND SUCH CONTINUED IN FORCE UNTIL TERMINATED BY DIVORCE OR DEATH, SPOUSAL BENEFITS SHALL CONTINUE TO ACCUMULATE FOR THE DURATION OF SUCH MAINTENANCE ORDER AND THE SEPARATED SPOUSE OF THE CPP CONTRIBUTOR SHALL BE ENTITLED TO ONE-HALF OF ANY CPP BENEFIT EARNED DURING THE PERIOD OF THE MARITAL UNION AND PAID OUT UPON RETIREMENT OR DISABILITY.**

In all of these cases of desertion, divorce or separation, it should be incumbent upon the parties concerned to file claims for spousal rights under these pensions within a reasonable period of time as may be determined in the appropriate statute.

Recognizing that occupational pension plans have little or no provision for survivor's benefits, the Commission recommends that:

48 - THE MATRIMONIAL PROPERTY ACT OF THE PROVINCE OF NOVA SCOTIA AND THE PENSION BENEFIT ACT BE AMENDED TO PROVIDE THE SAME DEGREE OF SHARING OF PENSION RIGHTS TO PERSONS INVOLVED IN MARITAL UNIONS DISRUPTED BY SEPARATION AS THAT SET OUT IN RECOMMENDATION NUMBER 47.

THE OLDER PERSON BELOW RETIREMENT AGE

The Canadian Council on Social Development's submission to the Commission terms that portion of the population aged 55 to 64 the "pre-retirement age group". It is mainly concerned about workers in this age group who have been forced to retire due to disability or sickness. If the disability results from a work place accident, then they are covered by Workers' Compensation. Otherwise, they must rely on pension plan disability provisions and/or insurance.

However, only 27.7 percent of private sector plans contain a disability provision and only about one- third of the labour force is covered by disability insurance. "Consequently, the majority of Canadian workers are subject to a sharp or complete reduction of private income if they are subject to a long-term disability."[1]

The council also compared labour force participation rates of the 45-54 and 55-64 year age groups, and found a great decline for both men and women in the latter group. They recognized that this decrease was due, in part, to voluntary withdrawal from the labour force. However, "much of this withdrawal is due to an inability to continue working, at least at the jobs which are available".[2]

What is not apparent from the labour force statistics is the number of people, particulary women, in the pre-retirement age group who cannot enter the work force due to disability or lack of skills. When these women become widowed, they do not usually get survivors' benefits from their husbands' pension plan, except for the Canada Pension Plan Survivor's Benefit. A divorced woman may get support payments from her ex-spouse, but these will cease if he dies and has made no provision for her. She would be fortunate if she had applied and been granted a share in her ex-spouse's CPP credits. However, these will not be payable until she is 65.

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[1] CCSD Submission to NSRCP, 1982, Pg. 3.

[2] Ibid.

Widows and divorcees, in good health but lacking in job skills, may find it very difficult to secure employment. Who will hire them? Even those who possess marketable skills will find that their age is against them. It is unlawful to discriminate on the basis of age, but it is difficult to prove discrimination when there are so many qualified applicants for few jobs. The situation for the disabled is even more difficult.

Another source of income for women in the 60 to 64 segment of the pre-retirement age group is the Spouse's Allowance. Only widows of pensioners who were in receipt of the GIS and who themselves were in receipt or qualified to receive the Spouse's Allowance will receive the Extended Spouse's Allowance when their spouse dies. Divorced women in receipt of Spouse's Allowance will have this discontinued as they must be living with the pensioner in order to receive it. A woman whose husband deserts her, or whose husband leaves Canada for more than six months, will also be cut off. If she leaves the country for more than six months, her Spouse's Allowance will cease.

The only other income source for some people will be provincial welfare. Women 60 to 64 are deemed "unemployable" due to their age and can receive benefits. A younger woman (under 60) would need to prove that she is disabled in order to receive assistance (unless she has dependent children).

Many submissions expressed concern over the plight of women in the circumstances described above. Most of these submissions were from women's organizations (Nova Scotia Association of Women and the Law, Canadian Research Institute for the Advancement of Women, Canadian Advisory Council on the Status of Women, Zonta Club, Catholic Women's League). Canadian Pensioners Concerned also made suggestions for alleviating financial problems of people in the pre-retirement age group. A synopsis of recommendations from these groups follow:

Nova Scotia Association of Women and the Law examined the integration of homemakers into pension plans of other countries. For instance, in Australia and New Zealand everyone receives old age pensions at age 70. However, women can receive a means-tested benefit at age 60, while men may qualify at age 65.

The Nova Scotia Association of Women and the Law also stressed the sharing of pension credits. If homemakers had their own credits, there would be a bigger pension to share. This may not solve the problems of all "unemployable" women, but it would at least help those who become disabled to receive a disability pension.

The Canadian Research Institute for the Advancement of Women also stressed the integration of homemakers into the CPP and sharing of pension credits.

The report from the Canadian Advisory Council on the Status of Women (December 1981) suggested abandonment of the present CPP survivor's benefit. Instead, "unemployable" widows aged 50-65 could receive two other forms of assistance:

1. C/QPP widow's benefit that diminishes as their earnings from work increase.
2. Create a new type of C/QPP disability benefit that would give "unemployment pensions" to all participants aged 50 to 65 who are unemployable, including former homemakers whose jobs disappear following death or divorce.

Disabled widows would still be entitled to a CPP widow's benefit.

The Canadian Advisory Council on the Status of Women also pointed out the discrepancies in the present OAS/GIS/SPA system.

> **"Under these programs, there are three main groups of people aged 60 and over who do not have access to minimum guaranteed incomes at least equal to the poverty line. They are:**
>
> **1) spouseless pensioners aged 65 and over;**
> **2) people aged 60 to 65 who are/were not the spouses of old age pensioners;**
> **3) those who immigrated to Canada after July 1, 1977."** [1]

Their two suggestions to overcome the inequities for those 60 to 65 were:

1. Abolish Spouse Allowance, and replace it by another income-tested federal program available to all people aged 60 to 65, or
2. Abolish it altogether, people would depend on provincial welfare.

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[1] Canadian Advisory Council on the Status of Women: Pension Reform for Women, December 1981, Pg. 17.

The Hon. Monique Begin, in her address to the 1982 Annual Meeting of the Canadian Pension Conference, referred to the pre-retirement age group in her discussion of survivor benefits. She recognized that for those "close to retirement age, special provisions would probably be needed since many would be unlikely to be able to enter the labour force" after the death of their spouse. She recommended that the benefit be high enough to maintain the previous standard of living.

Canadian Pensioners Concerned felt that women aged 55-64 needed support comparable to that now provided by OAS/GIS to those 65 and over. They also pointed out that many older people have saved for retirement through investments. This group felt that the abolition of the Capital Gains Tax for lower income women (55 and over) and men (60 and over) would ease the financial problems of some in the pre-retirement age group.

Louise Dulude, in her comprehensive paper written for the Canadian Advisory Council on the Status of Women, recommended:

1. Guaranteed minimum incomes to everyone in Canada age 60 and over.
2. Including homemakers in CPP and sharing of pension credits upon death, separation, desertion and divorce.
3. Creation of the CPP "unemployment pension" for older workers (50 to 64) who are unable to find a paid job. This would be available to all those with CPP credits (assumes homemakers are integrated either by giving them their own credits or splitting the family credits).

The Zonta Club recommended lowering the qualifying age for CPP to 60. This was also with the assumption that homemakers are integrated into the plan. The Catholic Women's League also believed that homemakers' pensions should be incorporated into the CPP.

It is difficult to envisage any modification of the Canada Pension Plan which could provide benefits to those referred to in this section. The only approach would be as has been suggested in some quarters as a radical change in the Unemployment Insurance scheme, namely, to change the Unemployment Insurance to an employee's income maintenance scheme.

Under this suggested proposal, the UIC benefit would be paid to an unemployed person who accepted employment for less wages than earned in previous employment and upon which UIC premiums were based, and that such benefit would be paid for the difference in the former wage and that now earned on the lower paid job, the difference being paid for the same period as would UIC benefits if applicable. This would be a benefit additional to that now provided to the worker without employment or employment income.

As an extension of this, it is suggested that a disability benefit be incorporated into the UIC scheme to maintain the income of those persons falling into the categories noted in this section, but for an extended period until eligible for retirement income payments.

Eliminating those eligible for Workers' Compensation Benefits and survivors' benefits in public and occupational pension plans in excess of the amount established as the maintenance level under the new benefit would greatly reduce the number of possible applicants for this type of benefit. Credits accumulated by a contributor would be available upon application by a surviving spouse demonstrating need for the benefit.

Disability would have to be liberally interpreted to include those unlikely to benefit from re-training and those whose employment prospects were limited because of age and lower educational levels.

The Commission concluded, after an examination of the issue, that the problem of the older person who had to retire from the labour force before attaining an age where he or she would qualify for public or occupational pension benefits was one on which it lacked sufficient information to make a recommendation.

Those presenting submissions in support of this particular concern did not quantify the extent of the problem or the financial costs of the proposed solutions, and such information could not be obtained without extensive research. This should be the subject of additional study and one allied to possible revisions to the Unemployment Insurance Program.

SUGGESTED LEGISLATIVE CHANGES IN CASES OF PLAN TERMINATIONS

The Pensions Benefits Act of the province is deficient in some areas. There are some sections where greater clarity is required if the pension rights of the plan members are to be safeguarded. The Commission considers these changes to be of paramount importance.

PLAN TERMINATION

The Nova Scotia Pension Benefits Act, in common with most such acts, does not set out an order of priorities for determining benefits at plan termination. Section 17(7) of the act appears to give the first priority to the pension earned from January 1, 1977 onward to those employees who have attained age 45 or have 10 years of service. Thus, a pensioner who retired prior to 1977 has no preferred status at all, and those who have retired subsequently have a priority with respect only to that part of the pension earned after January 1, 1977.

The Commission can see no reason for giving any special status at plan termination to those benefits accrued after the qualification date defined in the act. There are also certain benefits which the Commission believes can be given a lower priority because of their nature, and these benefits need not be provided until after all other benefits.

The Commission recommends that:

49 - THE PENSION BENEFITS ACT SHOULD BE AMENDED TO REQUIRE THAT, UPON WIND-UP OF AN OCCUPATIONAL PENSION PLAN, THOSE PERSONS IN RECEIPT OF PENSIONS FOR ANY REASONS, OR WHO ARE ELIGIBLE FOR EARLY RETIREMENT ON THEIR FULL ACCRUED PENSION WITHOUT ANY ADJUSTMENT FOR EARLY RETIREMENT, SHALL RECEIVE FIRST PRIORITY FOR ALL "BASIC PENSION BENEFITS" PAYABLE TO THEM, WHETHER OR NOT THEY HAVE BEEN FULLY FUNDED, TO THE EXTENT OF THE ASSETS OF THE PLAN. IF THE ASSETS OF THE PLAN ARE NOT SUFFICIENT, THESE PERSONS SHALL HAVE THEIR PENSIONS ADJUSTED PROPORTIONATELY. FOR PURPOSES OF THIS RECOMMENDATION, "BASIC PENSION BENEFITS" EXCLUDES ADDITIONAL BENEFITS CREATED IN THE FIVE YEARS PRECEDING PLAN TERMINATION, BRIDGE PENSIONS PAYABLE FROM EARLY RETIREMENT UNTIL THE CPP STARTS, OR FUTURE INCREASES RESULTING FROM INDEXING. ALL OTHER BENEFITS, INCLUDING THOSE ABOVE EXCLUDED, SHALL BE PAYABLE ONLY TO THE EXTENT THAT THEY ARE FUNDED AND SHALL BE SUBJECT TO THE TERMS

OF THE PENSION PLAN AND THE REQUIREMENTS OF THE PENSION BENEFITS ACT.

The Commission further recommends that:

50 - EXCEPT FOR THE SPECIAL PROTECTION TO BE PROVIDED UNDER RECOMMENDATION 49, PRIORITY AMONG MEMBERS ON PENSION PLAN WIND-UP SHOULD BE DETERMINED BY THE PROVISIONS OF THE PENSION PLAN, AND WHERE THE PENSION PLAN DOES NOT SO PROVIDE, THEN BY THE REQUIREMENTS OF THE PENSION BENEFITS ACT, WHICH SHOULD BE AMENDED TO STATE CLEARLY THE FOLLOWING CLASSES OF PRIORITY, EACH MEMBER OF THE CLASS TO RECEIVE THE ENTITLEMENTS STIPULATED BEFORE ANY ALLOCATION TO THE NEXT FOLLOWING CLASS, THE MEMBERS OF CLASSES TO SHARE RATEABLY:

1. BASIC PENSION BENEFITS (AS DEFINED IN RECOMMENDATION 49)
    - A) MEMBERS TO THE EXTENT OF THEIR ADDITIONAL VOLUNTARY CONTRIBUTIONS;
    - B) MEMBERS VESTED UNDER THE PLAN PROVISIONS, PENSION BENEFITS TO THE EXTENT FUNDED;

   C) MEMBERS NOT VESTED UNDER THE PLAN PROVISIONS, PENSION BENEFITS TO THE EXTENT FUNDED.

2. BENEFITS CREATED BY PLAN AMENDMENTS IN THE PREVIOUS FIVE YEARS:
   - A) MEMBERS COVERED UNDER RECOMMENDATION 49, TO THE EXTENT FUNDED;
   - B) MEMBERS VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED;
   - C) MEMBERS NOT VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED;
3. BRIDGE PENSIONS:
   - A) MEMBERS COVERED UNDER RECOMMENDATION 49, TO THE EXTENT FUNDED;
   - B) MEMBERS VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED;
   - C) MEMBERS NOT VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED.
4. FUTURE INDEXING:
   - A) MEMBERS COVERED UNDER RECOMMENDATION 49, TO THE EXTENT FUNDED;

B) MEMBERS VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED;

C) MEMBERS NOT VESTED UNDER THE PLAN PROVISIONS, TO THE EXTENT FUNDED.

REMITTANCE OF PENSION FUND CONTRIBUTIONS

The regulations under the Pension Benefits Act require employee contributions to be remitted no later than 60 days after they are deducted, employer contributions to be remitted no later than 120 days after the end of the plan's fiscal year, and special contributions towards unfunded liabilities to be made during the fiscal year. These provisions obviously increase the possibility of a plan sponsor going out of business with unpaid pension contributions. In any event, more timely contributions enable the plan to invest its assets sooner.

The Commission recommends that:

51 - THE PENSION BENEFITS ACT OR REGULATIONS BE AMENDED TO PROVIDE THAT:

A) EMPLOYEE CONTRIBUTIONS BE REMITTED NO MORE THAN 30 DAYS AFTER THEY ARE DEDUCTED FROM THE EMPLOYEES;

B) EMPLOYER CONTRIBUTIONS FOR CURRENT SERVICES BE REMITTED AT THE SAME TIME AS THE EMPLOYEE CONTRIBUTIONS;

C) SPECIAL CONTRIBUTIONS TOWARDS ANY UNFUNDED LIABILITY BE REMITTED IN MONTHLY INSTALLMENTS;

D) ANY ADJUSTMENTS NECESSARY, BECAUSE PAYMENTS IN B) OR C) WERE DETERMINED APPROXIMATELY, BE MADE WITHIN 120 DAYS OF THE END OF THE PLAN'S FISCAL YEAR.

PENSION FUND CONTRIBUTIONS AND BANKRUPTCY

Even with the above amendment, it is still possible for a plan sponsor to go into bankruptcy owing monies to the pension plan.

The Commission recommends that:

52 - THE PENSION BENEFITS ACT BE AMENDED TO CREATE A STATUTORY LIEN FOR MONIES DEEMED TO BE HELD IN TRUST BY EMPLOYERS UNDER SECTION 20A OF THE ACT.

The Commission further recommends that:

53 - THE PENSION BENEFITS ACT BE AMENDED TO CREATE A RIGHT FOR THE SUPERINTENDENT OF PENSIONS TO INTERVENE ON BEHALF OF PLAN MEMBERS WHERE THE EMPLOYER SPONSOR OF THE PLAN HAS BECOME INSOLVENT, AND TO ENFORCE THE STATUTORY LIEN TO OBTAIN PAYMENT INTO THE PLAN OF MONIES DEEMED TO BE HELD IN TRUST FOR THE BENEFIT OF THE PLAN MEMBERS.

The Commission further recommends that:

54 - TO THE EXTENT THAT SUCH STEPS IN AMENDING THE PENSION BENEFITS ACT BY THE GOVERNMENT OF NOVA SCOTIA ARE DETERMINED TO BE BANKRUPTCY LEGISLATION AND, THEREFORE, BEYOND THE LEGISLATIVE POWERS OF THE PROVINCES, THE GOVERNMENT OF NOVA SCOTIA SHOULD TAKE STEPS TO PERSUADE THE FEDERAL GOVERNMENT TO CREATE A PROTECTED CLASSIFICATION UNDER FEDERAL BANKRUPTCY LEGISLATION TO PROTECT:

A) EMPLOYEE CONTRIBUTIONS WHICH HAVE BEEN DEDUCTED AND NOT REMITTED;

B) EMPLOYER CONTRIBUTIONS PAYABLE TO THE DATE OF BANKRUPTCY OR INSOLVENCY.

In order to define more clearly the obligations of the trustees of pension plans coming under the jurisdiction of the statutes of Nova Scotia, the Commission recommends that:

55 - THE PENSION BENEFITS ACT SHOULD BE AMENDED TO STATE CLEARLY THE DISTINCTION BETWEEN THE PERSON OR AGENCY RESPONSIBLE FOR THE OPERATION OF THE PLAN AND THE PERSON OR AGENCY RESPONSIBLE FOR THE OPERATION OF THE FUND AND, IN THE LATTER CASE, THE EXTENT OF THE OBLIGATION OF THAT PERSON OR AGENCY FOR INVESTMENT MANAGEMENT OF THE FUND.

Supervision of the operation of pension plans registered in Nova Scotia comes under the jurisdiction of the Superintendent of Pensions.

At the present time, there are no regulations requiring financial audits of pension funds, nor of audits of pension plans. In the latter case, the Commission means a review to ensure that the rules of the plan are being applied correctly, that the plan administrator is calculating benefits correctly and that the actuarial basis for determining optional and early retirement benefits, etc., are in accordance with the rules, etc. The Commission believes that there should be financial audits of all pension funds, except those held by insurance and trust companies. In these cases, the annual reports prepared by such companies are deemed by the Commission to be adequate. Most pension funds that have individual trustees already have annual audits.

Few pension plans have audits, other than of the financial kind. The Commission is of the opinion that such audits should be performed periodically. The existing regulations require that every plan be reviewed every three years and a report filed showing costs and surplus or deficit positions and their extent. The Commission has concluded that such examinations should be extended to include an audit of the pension plan as outlined above. The person preparing the report should also be required to report as to whether the rules of the plan are being properly applied.

The Commission recommends that:

56 - **THE PENSION BENEFITS ACT AND ITS REGULATIONS BE AMENDED TO REQUIRE A FINANCIAL AUDIT OF ALL OCCUPATIONAL PENSION FUNDS, EXCEPT WHERE THE ASSETS ARE HELD BY AN INSURANCE OR TRUST COMPANY, WITH AN AUDIT REPORT CERTIFIED BY A CHARTERED ACCOUNTANT TO BE FILED ANNUALLY WITH THE SUPERINTENDENT OF PENSIONS.**

The Commission recommends that:

57 - THE PENSION BENEFITS ACT AND ITS REGULATIONS SHOULD BE AMENDED TO REQUIRE AN AUDIT OF ALL OCCUPATIONAL PENSION PLANS, AND SUCH AUDIT BE PART OF THE REPORT REQUIRED IN REGULATION 5, AND SIGNED BY THE SAME PERSON.

The Commission recommends that:

58 - THE PENSION BENEFITS ACT AND ITS REGULATIONS SHOULD BE AMENDED TO GIVE THE SUPERINTENDENT OF PENSIONS SPECIFIC AUTHORITY TO REQUIRE AUDITS OF BOTH PENSION PLANS AND PENSION FUNDS MORE FREQUENTLY THAN THAT PRESCRIBED AND TO HAVE THE AUTHORITY TO ORDER AN INDEPENDENT AUDIT OF A PENSION PLAN AND THE RELATED FUND IF, IN THE OPINION OF THE SUPERINTENDENT OF PENSIONS, SUCH AUDIT OR AUDITS ARE WARRANTED FOR THE PROTECTION OF THE PENSION RIGHTS OF PLAN MEMBERS.

LEGAL PENSION MAXIMUMS

The maximum pension that any deferred benefit occupational pension plan can provide is governed by paragraph 9(g) of Information Circular 72-13R7 issued by Revenue Canada. With certain rather minor exceptions, and one major one (to be noted later), it limits pensions from any one occupational pension plan (or those from associated companies) to the lesser of:

A. $1,715 times the number of years of pensionable service not exceeding 35, and

B. the amount that is the product of:
   (i) 2 percent per year of pensionable service not exceeding 35 years, and
   (ii) the average of the best 3 consecutive years of remuneration paid to the employee by the employer. (The best 5 may be substituted for "best 3 consecutive" if it is done for all employees.)

This limits the maximum pension to 70 percent of the best 3 consecutive years of earnings, or $60,025, whichever is less. This limitation does not apply to money purchase plans at all, nor to defined benefit plans that were in existence at December 31, 1970 unless the amount or cost of pension benefits were increased subsequently. The current rates became effective in 1976: prior to this, the maximum was $1,143 per year or $40,000.

This maximum only applies to the pension initially paid at retirement, and does not limit increases given after retirement because of increases in the cost of living. (This is the important exception referred to.) This gives rise to an anomaly. Someone who retired in 1976 with a pension of $60,000 which was fully indexed could, in 1982, be receiving a pension of almost $105,000 per year while someone retiring in 1982 could only receive at most $60,000.

It should be noted that it is possible to receive pensions totalling in excess of the 70 percent or $60,000 limit, provided they are from pension plans of non-related employers.

It is interesting to speculate where the 70 percent came from. It has for long been accepted as a reasonable replacement ratio for gross income, though the Commission has seen no evidence as to why 70 percent as opposed to 65 percent or 75 percent. Perhaps it is something like the "normal" retirement age of 65 - something long accepted but with no particular justification.

Again, there is no rational reason given for $60,000. If this was adequate in 1976, it is not in 1983. Certainly any dollar maximum should be indexed with a wage index.

There seems to be no justification for the accrual rate of 2 percent per year, except that is the accrual rate in the federal public service plan. This rate can work hardships on employees who accept new positions late in life, or who delay entry into the work force for reasons of education, homemaking, etc. This is explicitly recognized by the Province of Nova Scotia as it provides for judges who also participate in the provincial public service plan, a supplementary pension, provided they have 20 years of service, to bring them up to 70 percent. This is done to compensate judges who normally go to the bench just when their earning capacity in private practice is the greatest.

At the same time, we recognize that there should be some sort of limit on pensions to prevent both corporations and individuals tax-sheltering excessive amounts. Accordingly, the Commission recommends that:

59 - THE PROVINCE OF NOVA SCOTIA APPROACH THE FEDERAL GOVERNMENT TO REQUEST THAT THE INCOME TAX ACT, OR THE REGULATIONS MADE THEREUNDER BE AMENDED TO PROVIDE:

1. THAT THE MAXIMUM INITIAL PENSION, TO BE TAXED AT NORMAL RATES, THAT ANY INDIVIDUAL MAY RECEIVE FROM ALL REGISTERED PENSION PLANS IN WHICH HE HAS PARTICIPATED BE SET AT $115,000 FOR THE YEAR 1983, AND THAT SUCH MAXIMUM BE INCREASED EACH YEAR BY THE PERCENTAGE INCREASE IN THE AVERAGE INDUSTRIAL WAGE.

2) THAT PENSIONS MAY BE INCREASED IN SUBSEQUENT YEARS BY VIRTUE OF INCREASES IN THE COST OF LIVING.

3) THAT PENSION INCOME FROM REGISTERED PENSION PLANS IN EXCESS OF THE

MAXIMUM BE SUBJECT TO A SPECIAL COMBINED FEDERAL AND PROVINCIAL INCOME TAX OF 90 PERCENT IN LIEU OF ALL OTHER TAXES.

4) THAT ALTERNATIVELY THE PRESENT VALUE OF SUCH EXCESS PENSION INCOME MAY BE REFUNDED TO THE PLAN SPONSOR, AND TAXABLE IN HIS HANDS.

5) THAT THERE BE NO MAXIMUM PENSION PROVISION REQUIRED TO BE INCLUDED IN OCCUPATIONAL PLANS THEMSELVES.

It appears to be reasonable to associate income from RRSPs, or retirement income instruments purchased with monies accumulated in RRSPs, in some manner to the maximum noted above. As at present, however, an individual may accrue an occupational pension of 70 percent plus whatever his contributions to a RRSP may provide by way of retirement income, the Commission is not prepared to make any recommendation in this respect at this time. If retirement income provided through RRSP funds is to be included, the maximum of $115,000 recommended above should be increased.

REGISTERED RETIREMENT SAVINGS PLANS

As indicated in the section detailing the present retirement income system, Registered Retirement Savings Plans play an important role in the provision of retirement income.

Legislation respecting the establishment and control of Registered Retirement Savings Plans was enacted by the Government of Canada and became effective in 1957.

The announced objectives of the legislation were to encourage Canadians to provide for their own Old Age Security and to give all Canadians who were not covered by public agency and private pension plans, the same rights to contribute to a retirement plan and to take advantage of the tax deferment thereof.

Under existing legislation, a holder of a RRSP may contribute up to 20 percent of his earned income, to a maximum of $5,500 if not currently participating in a contributory pension plan with an employer; or up to $3,500 of his earned income, if a participant in such a plan.

The individual retirement plan must be entrusted to a qualified trustee, all deposits are then receipted and copies of all deposits and withdrawals are reported to Revenue Canada in Ottawa.

Until amendments in the legislation were adopted in 1978, holders of Registered Retirement Savings Plans were given only two options for converting the matured RRSP to a retirement income.

Option No. 1 - Lifetime Annuity

The holder of the RRSP may purchase a lifetime annuity for himself only, or a joint survivor lifetime annuity for himself and his spouse. The annuity must be purchased before the holder's 71st birthday. Either annuity may be guaranteed for a term certain, provided that the term does not expire later than the date when the younger beneficiary attains 90 years of age. Any balance remaining at the death of the final annuitant will be deemed to be commuted to the present value, and the amount will be added to the taxable income of the annuitant in the year of death.

Option No. 2 - Cash Withdrawal

The RRSP may be converted to cash before the holder's 71st birthday. Whenever any cash is received, the whole plan must be de-registered and added to the holder's taxable income for the year. It is possible to make partial withdrawals by transferring part of the RRSP to another RRSP and only one of them must be de-registered. There is no practical limit to the number of plans a holder may register.

As a result of the 1978 amendments, planholders have two further options in selecting an avenue for the conversion of the RRSP to some form of retirement income payment scheme. The means provided to achieve these ends are as follows:

Option No. 3 - Term Annuity to Age 90

Under this option, the holder of a RRSP may have the issuer of the plan underwrite a term annuity which provides the planholder with equal monthly payments to age 90. The monthly annuity income payments represent the return of the proceeds on the RRSP in the form of a blend of principal and interest.

The payout cannot begin before age 60 and, having exercised the option, the planholder cannot have a change of mind to excise some other option.

The planholder can, however, de-register the contract by taking the lump sum or commuted value of the remaining payments. Such proceeds being taxed as income in the year of de-registration.

Under the term annuity to age 90, the balance of the payments may be paid to a surviving spouse if such is a beneficiary of the plan or designated by will, the payments to continue until the time when the annuitant would have reached the age of 90 years. Upon the death of the surviving spouse or on the death of the annuitant if the spouse predeceased the annuitant, the remaining payments in the annuity would be commuted to a lump-sum amount and would be deemed to be income of the annuitant immediately before death and taxed as such. The remaining balance could be passed on to children or other beneficiaries.

Option No. 4 - Registered Retirement Income Fund (RRIF)

This option provides the RRSP planholder with a system of withdrawing funds as retirement income based upon a specific fraction of the market value of the plan each year, depending upon the number of years remaining until the planholder would have reached the age of 90. The fraction increases each year thus increasing the payout in a manner that offsets, at least to a degree, the effects of inflation.

For example, if the planholder is age 70 at the time of purchase, he would receive one-twentieth of the market value of the fund in the first year. In the second year, he would get one-nineteenth and so on until, at age 89, he would receive the balance remaining in the fund. Benefits arising out of a RRIF can be passed on to a spouse if he or she is the beneficiary in the plan or in the annuitant's will, until the time when the annuitant would have reached the age of 90. Upon the death of the surviving spouse, the amount remaining in the RRIF would be immediately subject to tax as if the RRIF had been cashed in. After taxes are paid on the estate of the deceased, the residual value of the RRIF less taxes could be bequeathed to children or other named beneficiaries.

If the spouse is not the beneficiary or dies before the annuitant, the remaining balance would be deemed to be part of the annuitant's income in the year of death as if it had been converted to cash immediately prior to death. After income taxes are paid, the residue can be passed on to designated beneficiaries.

RRIFs, in effect, provide an indexed term annuity to age 90 where the indexing factor equals the rate of return earned on the assets each year. Nevertheless, the smaller payments during the early years has discouraged the use of RRIFs.

In order to improve the attractiveness of RRIFs, the indexing pattern will be made more flexible. Each year, the RRIF owner will be able to designate a figure between 0 and 6 percent as the amount by which he wants to slow down the indexing of his future RRIF receipts. If, for example, he designates 6 percent and the return earned on the fund's assets is 15 percent, the pay-out to him in that year will be higher, but the pay-outs in the following year will increase by only 9 percent (15 minus 6). Such an indexing pattern will still afford substantial inflation protection but will, at the same time, increase the pay-outs in the initial years of the RRIF.

The following is an illustration of how the new RRIF will work:[1]

Instead of calculating the payment as a "fraction" of the market value based upon the number of years remaining until the planholder reaches age 90, the planholder can request a higher payment which is calculated by assuming a rate of interest of 0-6 percent amortized over the number of years remaining until age 90. This has the effect of increasing the "flow" of income payments depending upon the rate of interest chosen. For example, the original RRIF is, in effect, a 0 percent interest rate amortized over say, 19 years. In the first year, $100,000 would provide a payment of $5,263.19. Using a 6 percent interest rate amortized over 19 years would increase the payment to $8,963. This represents an increase of 41.28 percent over the original RRIF concept.

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[1] The Delaney Report on RRSPs - Tom Delaney
McGraw-Hill Ryerson Ltd., Toronto - 1983

The following table assumes an overall rate of interest of 15 percent and uses a 6 percent interest assumption amortized over the remaining years to calculate the flow of payments. Note the increase flow of payments using the 6 percent assumption compared to the 0 percent or "fraction" payment from the original RRIF.

TABLE 94

FEDERAL GOVERNMENT PROPOSED NEW REGISTERED RETIREMENT INCOME FUND

Lump Sum Investment: $100,000
Interest Rate: 15 Percent Compounded Annually
6 Percent Interest Assumption on Annual Annuity Payments
Term Period: 19 Years (initially)

Dec. 31 of the Year in Which Buyer Reaches Age	Market Value	Accumulated Value With Interest at 15 Percent		Annuity RRIF 19 Annual Payments Based on 6 Percent Annuity	Balance Remaining After RRIF Payment
71	$100,000.00	$115,000.00	1	$ 8,963.00	$106,037.00
72	106,037.00	121,942.55	2	9,793.58	112,148.98
73	112,148.98	128,971.32	3	10,704,62	118,266.70
74	118,266.70	136,006.70	4	11,703.67	124,303.03
75	124,303.03	142,948.48	5	12,799.48	130,143.00
76	130,143.00	149,664.45	6	14,002.09	135,662.36
77	135,662.36	156,011.71	7	15,325.78	140,685.93
78	140,685.93	161,788.81	8	16,781.02	145,007.79
79	145,007.79	166,758.95	9	18,386.99	148,371.96
80	148,371.96	170,627.75	10	20,159.30	150,468.46
82	150,915.34	173,552.64	12	24,303.41	149,249.23
83	149,249.23	171,636.61	13	26,736.51	144,900.10
84	144,900.10	166,635.11	14	29,468.33	137,166.78
85	137,166.78	157,741.79	15	32,563.39	125,178.58
86	125,178.58	143,955.36	16	36,126.54	107,828.83
87	107,828.83	124,003.15	17	40,339.84	83,663.31
88	83,663.31	96,212.81	18	45,633.32	50,579.50
89	50,579.50	58,166.43	19	58,166.43	-

Total payments from RRIF using 6 percent annuity calculation = $457,570.66

GROWTH IN NUMBER OF CANADIANS ACQUIRING RRSPS

Registered Retirement Savings Plans have exhibited phenomenal growth both in terms of the number claiming tax deductions and the total amount of premiums reported since the Income Tax Act was amended in 1957, to permit an individual to make tax deductible contributions to his/her own retirement savings plan. In 1969, some 205,879 individuals contributed an average of $867 to RRSPs. In 1979, there were 1,725,959 contributors who claimed an average of $1,791 in deductions for RRSPs.

RRSP contributions in 1979 totalled $3,091,044,000, somewhat in excess of employee contributions to private pension plans which amounted to $2,611,309,000. Although RRSP contributions were greater in total and on average than employees' private pension plan contributions, only 15.3 percent of the labour force claimed deductions for RRSP's as compared to 39.7 percent for private pension plans. Also, the addition of employers' contributions to private plans results in a total of $7,584,631,000 in total contributions to private plans in 1979.

Taxation data for Nova Scotia for 1979 shows that 112,376 individuals contributed an average of $784 to private pension plans for a total of $88,092,000. For the same year, 40,420 persons claimed an average of $1,637 in RRSP deductions for a total of $66,187,000. The average male contribution was $1,735, while the average female contribution was $1,314.

As would be expected, older individuals contribute more on average than their younger counterparts and proportionally more of them take advantage of the tax deferment afforded by RRSPs. Taxation returns for Nova Scotia in 1979 reveal that only 3.2 percent of individuals under 30 years of age claimed deductions for RRSP contributions with the average amount being $989, while 11.6 percent of those over 30 claimed deductions with the average being $1,745.

Similarly, the proportion of the members of an income class who claim RRSP deductions increases as income increases, as does the average value of their contributions. For example, in Nova Scotia in 1979, only 2.3 percent of those earning $4,000 - $10,000 contributed to RRSPs. The average amount was $818. At the same time, over 25 percent of those earning between $20,000 - $25,000 claimed average contributions of $1,599.

Although the majority of RRSP holders are not also members of private pension plans, over 40 percent were dual contributors in Canada in 1979. Of the 1,725,959 contributors to RRSPs, 697,189 were dual contributors and 1,028,770 contributed only to such plans. Statistics relating to the coverage of the labour force by private pension plans tend to understate the roles played by RRSPs in the provision for retirement income. If one includes the individuals who contributed to RRSPs, but not to private plans, the percentage of the labour force in Canada who are making some tax-sheltered reservation for retirement income rises from 39.7 percent to 48.8 percent.

TABLE 95

RRSP CONTRIBUTIONS IN NOVA SCOTIA IN 1979

BY AGE GROUPS

Age Group	Percent Contributing	Average $ Contribution	Average $ Income	Average Contribution As A Percent Of Average Income
Under 20	.01	$ 449	$ 3,310	13.6
20 - 24	1.7	887	7,164	12.4
25 - 29	6.7	1,024	9,908	10.3
30 - 34	9.5	1,278	11,023	11.6
35 - 39	12.7	1,563	12,324	12.7
40 - 44	11.9	1,527	12,560	12.2
45 - 49	13.9	1,656	12,514	13.2
50 - 54	15.5	1,851	13,287	13.9
55 - 59	16.2	2,055	13,175	15.6
60 - 64	14.8	2,254	12,692	17.8
65 and Over	2.9	3,245	10,362	31.3
TOTAL	8.5	$1,638	$10,315	15.9

SOURCE: Revenue Canada, Taxation, special tabulations.

TABLE 96

RRSP CONTRIBUTIONS IN NOVA SCOTIA IN 1979
BY INCOME GROUPS

Taxable Income Range	Contributions	Number in Class	Amount $'000	Average $ Amount	Proportion Contributing
Under $1,000	5	65,468	6	1,200	-
1,000-2,000	64	23,262	10	156	.3
2,000-4,000	148	49,011	62	419	.3
4,000-10,000	3,126	137,369	2,557	818	2.3
10,000-15,000	6,820	84,151	5,978	877	8.1
15,000-20,000	9,083	59,441	10,987	1,210	15.3
20,000-25,000	7,751	30,409	12,380	1,599	25.5
25,000-30,000	5,073	13,521	9,433	1,859	37.5
30,000 and Over	8,350	14,790	24,472	2,931	56.5
TOTAL	40,420	477,422	66,187	1,637	8.5

SOURCE: Revenue Canada, Taxation, special tabulations.

TABLE 97

NUMBER AND PROPORTION OF TAX FILERS CONTRIBUTING TO RRSPS AND AVERAGE ANNUAL CONTRIBUTIONS BY CONTRIBUTORS' ANNUAL INCOME - 1979 [1]

	ALL RRSP CONTRIBUTIONS			CONTRIBUTIONS TO RRSPS ONLY	
Income Contribution (Dollars)	Number	Proportion Of Tax Filers	Average Contribution (Dollars)	Number	Average Contribution (Dollars)
Less than $6,000	29,114	0.6	456	27,670	454
6,000 - 7,999	41,092	3.3	742	37,275	755
8,000 - 9,999	69,412	5.8	863	58,391	889
10,000 - 11,999	98,928	8.7	951	72,927	989
12,000 - 13,999	118,092	11.7	1,053	77,997	1,144
14,000 - 15,999	127,813	14.7	1,218	79,686	1,318
16,000 - 17,999	137,555	17.0	1,354	80,336	1,454
18,000 - 19,999	143,003	20.8	1,440	76,370	1,602
20,000 - 24,999	322,965	26.7	1,672	167,892	1,892
25,000 - 29,999	227,624	36.0	1,986	112,421	2,426
30,000 - 34,999	145,480	46.2	2,282	67,864	3,047
35,000 - 39,999	83,650	52.4	2,594	42,659	3,490
40,000 and Over	181,231	59.2	3,752	127,282	4,494
TOTAL	1,725,959	11.8	1,791	1,028,770	2,057

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[1] Excludes contributors to RRSPs who contributed to private pension plans as well.

SOURCE: Derived from special tabulations from Revenue Canada, Taxation.

TABLE 98

AVERAGE ANNUAL CONTRIBUTIONS TO PRIVATE PENSION PLANS AND RRSPS MADE BY DUAL CONTRIBUTORS BY ANNUAL INCOME - 1979 [1]

Income	Dual Contributors RRSP and Private	Average Contributions Private Plans	Average Contributions To RRSPs	Average Contributions To RRSP and PPP
Less than $6,000	1,444	130	485	615
6,000 - 7,999	3,817	266	613	878
8,000 - 9,999	11,021	284	722	1,006
10,000 - 11,999	26,001	416	846	1,261
12,000 - 13,999	40,095	484	875	1,359
14,000 - 15,999	48,127	583	1,051	1,634
16,000 - 17,999	57,219	676	1,213	1,889
18,000 - 19,999	66,633	807	1,253	2,060
20,000 - 24,999	155,073	970	1,434	2,404
25,000 - 29,999	115,203	1,205	1,557	2,762
30,000 - 34,999	77,616	1,451	1,614	3,065
35,000 - 39,999	40,991	1,611	1,661	3,272
40,000 and Over	53,949	1,755	2,002	3,757
TOTAL	697,189	1,029	1,398	2,427

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[1] Pension Plans in Canada, 1979, Statistics Canada.

SOURCE: Special tabulations from Revenue Canada, Taxation

In several submissions to the Nova Scotia Commission on Pensions, and in a number of published statements, there has been some criticism of the RRSP programs. This criticism was directed at what the critics perceive as a tax deferral benefit of the program provisions and it was alleged that only the more affluent could take advantage of the law.

Registered Retirement Savings Plans (RRSPs) are, in many instances, the most appropriate means to save for old age, whether for the saver himself or for a spouse. This is recognized by many Canadians, as shown in Tables 97 and 98.

RRSPs are not attractive to everybody, especially to Canadians with less than $1,000 per year of deemed investment income, nor to those who might expect to qualify for Guaranteed Income Supplement. They are not allowed for Canadians who do not have their own earned income, who may include working spouses in businesses that are not incorporated and for a few highly paid employees who contribute as much as $3,500 per year to their employer's registered plans.

They are most appropriate for entrepreneurs and partners, including farmers and fishermen, who do not choose to incorporate their businesses and possibly for their spouses, for employees of companies or other employers that do not sponsor registered pension plans, for members of professional societies who are not permitted to incorporate and for those classified by Revenue Canada as significant shareholders of small businesses. Most of the first two groups earn in the middle income range. All of those are denied the right to sponsor registered pension plans for their own benefit.

They are very helpful to supplement retirement income for members of registered pension plans who calculate that their expected pensions will be inadequate for their requirements in old age, and who are prepared to lay aside current income to pay for future benefits. Indeed, it was for just such people that the law was enacted.

Those who criticise the RRSP on the grounds that the affluent are enjoying a tax break ignore the fact that, on the other side of the scale, the Guaranteed Income Supplement, paid for by the taxpayers of Canada, transfers to the lower income earner large sums of money, much of it derived from taxes on the incomes and purchases of the relatively more affluent. (See Tables 99 and 100). RRSP holders also contribute, through their tax dollars, some of the funds required to finance other supplementary retirement benefit programs.

TABLE 99

TOTAL NET PAYMENTS UNDER OAS SUPPLEMENTARY PROGRAMS

(FEDERAL GOVERNMENT PAYMENTS)

NOVA SCOTIA ($'000)

YEAR	GIS*	SPA**	TOTAL
1966-67	2,465***		2,465
(1967-68)	(12,108)		(12,108)
(1968-69)	(14,868)		(14,868)
(1969-70)	(18,255)		(18,255)
(1970-71)	(22,421)		(22,421)
1971-72	27,585		27,585
1972-73	36,756		36,756
1973-74	38,121		38,121
1974-75	41,952		41,952
1975-76	46,629	2,640****	49,269
1976-77	51,461	6,264	57,725
1977-78	54,437	6,828	61,265
1978-79	62,217	7,591	69,808
1979-80	75,642	8,850	84,492
1980-81	97,499	10,812	108,311
1981-82	114,745	11,364	126,109
TOTAL	717,161	54,349	771,510

Note: Figures in parenthesis were estimated.

* GIS began January, 1967

** SPA began October, 1975

*** 3 months (January - March 1967)

**** 6 months (October 1975 - March 1976)

TABLE 100

TOTAL NET PAYMENTS UNDER OAS SUPPLEMENTARY PROGRAMS

CANADA ($'000)

YEAR	GIS*	SPA**	TOTAL
1966-67	39,597***		39,597
(1967-68)	(201,152)		(201,152)
(1968-69)	(255,464)		(255,464)
(1969-70)	(324,439)		(324,439)
(1970-71)	(412,037)		(412,037)
1971-72	526,060		526,060
1972-73	737,925		737,925
1973-74	760,068		760,068
1974-75	837,198		837,198
1975-76	923,413	34,970****	958,383
1976-77	1,017,128	100,626	1,117,754
1977-78	1,077,621	115,000	1,192,621
1978-79	1,234,161	126,302	1,360,463
1979-80	1,494,447	146,148	1,640,595
1980-81	1,918,067	177,653	2,095,720
1981-82	2,235,924	213,637	2,449,561
TOTAL	13,994,701	914,336	14,909,037

* Began January, 1967

** Began October, 1975

*** Covers 3 month period (January - March 1967)

**** Covers 6 month period (October 1975 - March 1976)

Figures in parenthesis are estimated

Most of the criticism of the RRSP programs arises out of the manner in which they are sold. Financial institutions concentrate their selling efforts in January and February each year and advertise the income tax savings aspect of RRSPs. In fact, there is no such "saving" as regards income tax. RRSPs permit deferment of taxable income to a later year when the holder receives repayment of his savings at which time it becomes taxable income. Income earned on these RRSPs is also deferred until the holder receives it. The amount of tax to be paid, if any, will depend on the holder's total taxable income in the year a benefit is received.

In exchange for a temporary deferment of tax, the majority of holders may have to forgo an annual deduction from taxable income of up to $1,000 and, also, if their RRSPs include dividends from taxable Canadian corporations, they must give up a deduction from actual tax amounting to 25 percent of such deemed dividends, which is equivalent to 37.5 percent of actual dividend income earned by the RRSP.

Many of the sales force, since they sell RRSPs for two months as a temporary job added to their regular duties, have no idea of the ramifications of these RRSPs and they are not qualified to intelligently advise the purchasers. Most purchasers are interested in long-term savings to provide for old age and the tax deferment is secondary. As most of them make only one purchase each year, and the possibilities are most complex, many holders select RRSPs which are not appropriate.

The Department of National Revenue has issued a "Tax Information Pamphlet" describing RRSPs in 14 pages of plain language. Holders of RRSPs should find this useful if they are confused by the technical language of the Act. Even after reading this pamphlet, in some cases, professional advice may be indicated.

The governments of Canada and the ten provinces support the establishment and growth of occupational pension plans by making provision for the fostering of such plans even though these deprive the eleven governments of some current tax revenue. The underlying philosophy being that the forgoing of tax revenue today will obviate the necessity to use tax revenue to maintain a person in old age.

It should be noted that the funds in the current two million RRSPs are being used as capital funds for the generation of incomes and jobs. It is quite unlikely that this capital would be available if this savings vehicle was not permitted under Canadian Income Tax Law.

The philosophy behind the establishment of a public pension plan such as Old Age Security and the creation of the Guaranteed Income Supplement (along with the Spouses' Allowances) was that the nation wanted to provide a basic level of support for those no longer in the work force and who needed supplementary income support through the public purse. (When orginally established, it was anticipated that, in time, the Canada Pension Plan would eliminate the necessity for the Guaranteed Income Supplement).

This is not to be construed as an argument against the proposition that part of the National Revenue be assigned for the support of the elderly. As taxpayers, all income earners contribute in some measure (usually in proportion to income) to the funds required for these programs.

It is a matter of historical fact that Canadians, with taxable incomes, paid an Old Age Security tax from 1951 to January 1, 1972, increasing from 2 percent (to maximum of $60) to 4 percent in 1967 (with a maximum of $240). This is a higher contribution than that levied under the Canada Pension Plan and provided lower benefits (to a maximum of $250.62 in 1983).

It is discouraging, however, to the average retired Canadian who has saved for retirement to learn that many who have not made any sacrifices are entitled, as a matter of right, to an additional retirement benefit that is equal to the income generated by a retirement savings fund in the amount of about $34,000.

Thrift should be rewarded but in this case it is not and, for this reason, it is suggested that changes in the RRSP legislation should be introduced to permit greater flexibility in private retirement funding.

It may be argued that, by adopting such changes, the Government would be approving a system whereby some taxpayers would be deriving a particular benefit. As noted above, a citizen without other pension or investment income must accumulate more than $34,000 in an RRSP before arriving at parity with the benefits given to recipients of the Guaranteed Income Supplement.

Most Canadians support the basic thesis that individuals should bear the responsibility for providing for retirement in proportion to the income earned during a working career. This thinking was the basis upon which the Canada Pension Plan was founded.

Under existing legislation, a husband-wife couple without other pension or investment income, if not possessed of retirement funds accumulated through deferring of current expenditure, is entitled to $4,674.84 per annum through the Guaranteed Income Supplement Program.

It is in the interest of the Government of Canada and the provinces that they encourage individual Canadians to spend less today in order to have sufficient income in retirement years. In addition to improving the Retirement Income System through better legislation and enhanced occupational and public pension plans, the adoption of amendments to the RRSP legislation would encourage thrift and put RRSP holders in at least as favourable a position as those who through indifference, indolence, or inability are able to draw additional retirement income from tax funds through the Guaranteed Income Supplement Program.

More flexibility should be granted to permit holders of matured RRSPs to convert the savings vehicles to retirement income plans.

Young people who buy RRSPs have very vague ideas of how they will eventually spend their savings, but they recognize a need to support themselves in their old age.

Even at age 50, nobody can, with assurance, plan for what will happen at age 65. Our studies indicate that about 10 percent of the savers will die before they reach 65. For those who reach 65 years of age, how the savings will be spent depends on whether the saver is married, widowed, separated, divorced, or single; on the health of the saver and the spouse, if any; on the finances and health of any dependents; and on a variety of other conditions, including whether the saver continues in business or employment, or chooses to or is forced to retire.

At present, settlement options provide for annuitants to survive until 90 years of age, whereas most will die before 85 years and many will die before 75 years. They should be able to spend their savings while they are still alive, in amounts that they consider appropriate at the time. If they have been wise enough to save this money, they are wise enough to make their own decisions about spending it as required without having to conform to some universal mathematical formula devised by Civil Servants in Ottawa. This would also have advantage for governments in that the income would become taxable several years earlier than the present system permits.

The Commission believes that changes in legislation would effect substantial improvements in RRSPs without contravening the intent of saving to provide for old age. The provisions recommended should be effective when the holder of the RRSP reaches his 65th birthday. Payments would continue to become taxable income on receipt. Partial payments should be permitted without requiring de-registration for the balance of the RRSP. If the RRSP has been properly managed, the holder should not be forced into finding new management for his savings after reaching age 65, but should be allowed to continue where he is already satisfied with the services provided.

By way of additional options, the Commission considered several proposals and decided to advance the following:

Variable Individual Retirement Account (VIRA)

It is suggested that a further option be made available to holders of Registered Retirement Savings Plans. The suggestion is that the holder of an RRSP be permitted to establish a Variable Individual Retirement Account (VIRA).

The VIRA would be a self-directed trusteed fund or the VIRA purchaser could elect to place his funds in one of a number of income producing plans which would be developed. Any Chartered Bank, Trust Company, Credit Union or Caisse Populaire could be permitted to act as trustee for a VIRA plan.

There is every reason to believe that the financial institutions would welcome the opportunity to prepare VIRA plans and keen competition in the marketing of such could be expected. All such funds would have to confine investments to those allowed by law for registered pension funds.

This option would permit RRSP holders to manage their own financial affairs and would permit larger withdrawals if required, for example, for large dental bills, major appliance replacement, home repairs, municipal tax payments, car insurance or even for long deferred vacation travel. This option is regarded by many as being preferable to the assigning over of an accumulation of savings (albeit tax deferred savings) to an insurance company in exchange for a guaranteed retirement income in the form of an annuity.

It is further suggested that on the death of the annuitant, the balance in the VIRA would be "rolled over" to a surviving spouse without immediate imposition of tax or penalty as permitted in current law. Upon the death of the surviving spouse, any balance in the VIRA would be treated in the same manner as are funds remaining after the death of a holder of a Term Annuity to age 90 or a Registered Retirement Income Fund.

In other words, upon the death of the holder of a VIRA, the plan could be continued until the death of a spouse named in a will or cited as the beneficiary of a plan. The plan would be deemed to be terminated immediately prior to the death of the annuitant or survivor, whichever came later, and taxed as income of the deceased. The residual funds could be bequeathed, after income taxes, to designated beneficiaries.

The following table illustrates the various retirement income options presently available to holders of RRSP's including the VIRA proposal as contained in this Report.

TABLE 101

COMPARISON OF THE ANNUAL AMOUNT RECEIVABLE FROM THE VARIOUS RETIREMENT INCOME OPTIONS WITH VARIABLE INDIVIDUAL RETIREMENT ACCOUNT (VIRA)

Capital - $50,000
Commenced at age 65; male;
Interest Rate - 8 Percent (constant)
Used for term annuity, RRIF and VIRA

Annual Payments*

			RRIF 3		VIRA 3	
	Life Annuity 1	Term Annuity 2 To Age 90	Minimum	Maximum	Minimum	Maximum
65	$ -	$ -	$ -	$ -	$ -	$ -
66	5,617	4,337	2,000	3,911	4,000	9,000
67	5,617	4,337	2,167	3,991	4,000	8,280
68	5,617	4,337	2,348	4,073	4,000	7,452
69	5,617	4,337	2,544	4,156	4,000	6,707
70	5,617	4,337	2,757	4,241	4,000	6,036
71	5,617	4,337	2,989	4,328	4,000	5,433
72	5,617	4,337	3,240	4,417	4,000	4,889
73	5,617	4,337	3,514	4,508	4,000	4,401
74	5,617	4,337	3,812	4,601	4,000	3,960
75	5,617	4,337	4,136	4,696	4,000	3,564
76	5,617	4,337	4,488	4,794	4,000	3,208
77	5,617	4,337	4,873	4,894	4,000	2,887
78	5,617	4,337	5,293	4,997	4,000	2,599
79	5,617	4,337	5,752	5,102	4,000	2,338
80	5,617	4,337	6,254	5,211	4,000	2,104
81	5,617	4,337	6,804	5,322	4,000	1,872
82	5,617	4,337	7,409	5,438	4,000	1,705
83	5,617	4,337	8,075	5,557	4,000	1,535
84	5,617	4,337	8,814	5,680	4,000	1,381
85	5,617	4,337	9,636	5,809	4,000	1,243
86	5,617	4,337	10,561	5,945	4,000	1,118
87	5,617	4,337	11,618	6,089	4,000	1,006
88	5,617	4,337	12,856	6,247	4,000	905
89	5,617	4,337	14,400	6,429	4,000	816
90	5,617	4,337	18,039	6,805	4,000	734
91	5,617	-	-	-	4,000	661
92	5,617	-	-	-	4,000	594
93	5,617	-	-	-	4,000	535
94	5,617	-	-	-	4,000	482
95	5,617	-	-	-	4,000	433
	for life				for life	

1 - Life annuity - 10 year guaranteed term calculated at 8 percent.
2 - Based on 8 percent rate (at current rates of 11.25 percent, annual payment would be $5,933).
3 - Annual payments made at end of each year.

*Note: Since interest rates vary, the actual payments received under RRIF and VIRA option will be different according to the movement of the interest rates during the period.

To counter the argument that the elderly might not be able to manage their own financial affairs, it should be recorded that banks and trust companies lay down procedures to be followed when confronted with a request for a large withdrawal from deposit accounts. In such cases, employees are instructed to advise the branch manager who will attempt to discreetly inquire as to why the withdrawal is requested and to suggest a safer method of transfer of funds.

This is not a requirement of law but is a procedure which most managers regard as a moral responsibility to their customers. Most managers are very conscious of these responsibilities when dealing with older clients, especially those without close relatives or advisors known to the branch manager.

All provinces have provision for the naming of a legal guardian where such is considered to be necessary to protect the interests of an elderly citizen. No further measures are considered to be necessary because of the suggested liberalization of the laws with respect to conversion of RRSPs to retirement income instruments.

It is recommended that:

60 - **THE GOVERNMENT OF CANADA BE REQUESTED TO AMEND THE INCOME TAX ACT TO PROVIDE ANOTHER OPTION FOR THE CONVERSION OF REGISTERED RETIREMENT SAVINGS PLANS AT MATURITY. THE ADDITIONAL OPTION, HERE IDENTIFIED AS A VARIABLE INDIVIDUAL**

RETIREMENT ACCOUNT (VIRA), WOULD PERMIT THE HOLDER OF A RRSP TO TRANSFER SUCH FUNDS TO A VIRA TO BE ENTRUSTED TO THE CUSTODY OF A REGISTERED AGENT (A CHARTERED BANK, TRUST COMPANY, INSURANCE COMPANY, CREDIT UNION OR CAISSE POPULAIRE) WHO WOULD MANAGE THE FUND ON THE INSTRUCTION OF THE ANNUITANT AND WHO WOULD ARRANGE WITH THE ANNUITANT FOR REGULAR PAYMENTS FROM THE PLAN, EITHER IN THE FORM OF MONTHLY WITHDRAWALS (OR LESS FREQUENTLY IF DESIRED) BUT IN NO CASE WOULD THE SUM TOTAL OF CASH WITHDRAWALS IN ANY CALENDAR YEAR BE LESS THAN THE INTEREST CREDITED TO THE VIRA IN THE PRECEDING YEAR, AND NOT MORE THAN A TOTAL OF THE SUM OF 10 PERCENT OF THE PRINCIPAL AMOUNT OF THE ACCOUNT AS OF THE FIRST DAY OF JANUARY AND THE SAID INTEREST. THE AMOUNT TO BE CALCULATED AS THE INTEREST TO BE APPLIED TO THE VIRA DURING THE FIRST YEAR OF OPERATION IS TO BE THAT WHICH WAS EARNED ON THE FUND IN THE YEAR PRIOR TO CONVERSION TO A VIRA.

RPAS NOT TO REPLACE RRSPS

The Government of Canada Document, "Better Pensions for Canadians", presented to the House of Commons on December 9, 1982 by the Hon. Marc Lalonde, Minister of Finance, and the Hon. Monique Begin, Minister of Health and Welfare, is the result of a study of pension matters by a task force on pensions in the Privy Council Office in Ottawa. This document and supporting papers has been titled "Better Pensions for Canadians", more popularly referred to as "The Green Paper".

The Green Paper suggests the creation of a new tax-deferred retirement saving vehicle called a Registered Pension Account (RPA). The new retirement saving instrument would, in most respects, be identical to a RRSP. The suggested plan would allow employers to contribute to an employee's RPA directly on his or her behalf, subject to certain limits - presumably such contributions would be deemed to be legitimate business expenses.

Funds would normally be drawn upon only after retirement in the form of an annuity. Withdrawals prior to retirement would be allowed only in specified circumstance, for example, such as the occurance of a serious disability.

The Green Paper further suggests that if RPAs are permitted by law, then there is a question if new contributions to RRSPs should continue to be allowed by law. The report suggests that new contributions should be confined to the new retirement savings vehicle, the RPAs.

That section of the Green Paper closes with this line,

> **"This change would create an improved vehicle for individual retirement saving, that in conjunction with vesting and portability measures, would enable individuals to have truly portable pensions."**

The Commission endorses the suggestion that RPAs be legislatively approved, such being consistent with Recommendation Number 2 of this Report being part of the Interim Report filed on June 21, 1982. The Commission does express its concern that the drafters of the Green Paper intend that the present RRSP legislation no longer be applicable. The Commission takes the position that every possible assistance - consistent with the nation's needs for tax revenues - be made available to encourage and assist Canadians to reserve funds for retirement living.

The Commission recommends that:

61 - **THE PROVINCE OF NOVA SCOTIA ENDORSE THE PROPOSAL THAT REGISTERED PENSION ACCOUNTS (RPAS) AS ADVOCATED IN THE GREEN PAPER OF DECEMBER 9TH, 1982 BE MADE PART OF THE CANADIAN TAX LAW IN ADDITION TO THE CHANGES IN REGULATIONS GOVERNING RRSPS AS CONTAINED IN THIS REPORT.**

The Commission recommends that:

62 - **THE PROVINCE OF NOVA SCOTIA SUPPORT THE POSITION THAT THE EXISTING CANADIAN TAX LAW WITH RESPECT TO REGISTERED RETIREMENT SAVINGS PLANS BE MAINTAINED IN PLACE TO ENCOURAGE NOVA SCOTIANS TO SAVE FOR THEIR RETIREMENT YEARS.**

THE GREEN PAPER

The Government of Canada Report on Pensions, now popularly referred to as the Green Paper, apparently has government endorsement, issued as it is over the signatures of the Honourable Marc Lalonde, Minister of Finance and the Honourable Monique Begin, Minister of National Health and Welfare. The document is now slated to be referred to a special committee of the House of Commons for further study.

Perhaps the most disturbing aspect of the Green Paper is the implied acceptance by its authors of the inevitability of inflation. Most citizens acknowledge the fact that much of the double digit inflation of recent years can largely be attributed to the rapid escalation of the world price of petroleum of $1.10 a barrel in 1972 to the OPEC cartel price of $34 a barrel in 1980. It is, however, most unsettling to read a document prepared by federal civil servants and approved officially by two members of the

Cabinet suggesting that measures be taken to adjust pensions for continued inflation rather than to take steps to render such adjustments unnecessary.

Several references are made in the Green Paper to the 6 percent and 5 percent program of the federal government as a means of stemming the annual rate of inflation. In fact, in the third paragraph on page three, the report states:

> **"The current economic program is expected to lower inflation to the 6 percent range."**

The current economic program referred to is the program where the federal government will limit salary increases in the federal service to 6 percent and 5 percent, will reduce the automatic escalation of civil service pensions and will reduce the Old Age Security indexing to the approximate same limits.

In Chapter 8 of the Green Paper, on page 56, the Report states:

> **"To start the process (of pension reform), the Government of Canada is asking the public to consider the following changes in employer sponsored pension plans and private savings arrangements:**
>
> **1 - Requiring a minimum degree of inflation protection, so that pension benefits would be increased each year by at least a prescribed amount. The excess interest approach with adjustments based on a five year average yield on long-term Government of Canada bonds minus 3.5 percent merits careful consideration. Benefits earned to date, including those currently in pay, could be adjusted by at least the five year average minus 7 percent."**

It is noteworthy that the Green Paper as quoted above considers the question of protection against inflation to be of first priority (see beginning of quotation).

The Green Paper suggests that the "excess interest" approach be the means of adjusting pensions to the cost of living.

Excess interest can only be earned by a pension fund when the contributions of the plan member and the employers earn interest in excess of that assumed by the actuaries in designing the basic pension plan. Historically, most new plans are initially designed to provide only minimal benefits and as the plans mature and the funds grow, traditionally the plans are improved by the introduction of enhanced benefits. A fairly high rate of fund earnings is required to provide a benefit beyond that forecast in the actuarial assumptions. In final earnings benefit plans, a considerable enhancement in the pensions is already in place commencing with the first pension cheque. This is brought about because, while contributions to the pension fund by both employers and employees (and by employers alone in non-contributory plans) in the early years of the work career of the employee are but a small fraction of the final earnings, the improved earnings on the fund in recent years have enabled the sponsor of the plan to maintain the promised benefit even though the salaries upon which the benefits are calculated are many times the early salaries. In many cases, to do so has required increased contributions by the employer.

Most employees in Canada have projected pensions based on formulae related to earnings in final years of employment. Those have recently been years when the employees were earning salaries adjusted for inflation. The Green Paper's concern for future protection of pensions against the eroding effects of inflation implies that inflation will continue at a high rate. If this is so, then it will be possible to use excess earnings to bolster pension payments, but excess earnings can come only from higher interest rates which will exacerbate the rate of inflation, retard business growth, increase unemployment and add to the long list of business bankruptcies.

It does appear to the Commission that the attention of the Federal Cabinet and the public service should be focused on containing inflation as a means of preserving the purchase power of pensions.

The Commission also expresses the fear that if this provision for adjustments of pensions in the manner suggested, is implemented, it will retard the growth of private pension plans and will be self-defeating.

The Green Paper suggests the consideration of a number of changes in public pensions and the mandating of changes in legislation regulating private pensions. If all elements are subjected to prolonged delays for further consideration as implied in the Report, the much needed reforms in the occupational pension plans will not take place for a number of years.

To quote from Page 3 of the Green Paper,

> **"The pension issue has been the subject of intensive study across Canada. For the last few years, these discussions have been stimulated by such initiatives as the Report of the Federal Task Force on Retirement Income Policy, the Retirement Income System in Canada: Problems and Alternative Policies for Reform, published in 1979, by the National Pension Conference held in Ottawa in the Spring of 1981 and by a host of other studies such as the Royal Commission on the Status of Pensions in Ontario, the Economic Council of Canada, and the Government of Quebec's Study Group on Pensions (Cofirentes+). Pension reform has been thoroughly examined by the pension industry, by the academic community and by the federal and provincial governments."**

The Green Paper continues in explaining that the Government of Canada wishes to refer the matter to a Parliamentary Committee for consultation with the Canadian public. One can conclude from the preceding quotation that the pension issues have been examined to the point that nothing more remains to be studied.

The Nova Scotia Royal Commission on Pensions is concerned that further examination by the Federal Parliament will delay the much needed reforms in the private pension field regulated by the Pension Benefits Act as recommended in this Report. The Commission expresses in the strongest possible terms its recommendation that the points enumerated in the Report coming within provincial jurisdiction be acted upon as quickly as the legislative process will permit.

There is already a substantial consensus in the private sector as to reforms that should be made. This is evident by the "Business Consensus on Pension Reform" published in August 1982. This document concurs in many of the reforms in occupational plans recommended by the Commission. There is no reason why reforms on which there is virtually unanimous agreement should be delayed for a further year or two while more study goes on. The only losers will be plan members.

Admittedly, there are other reforms on which agreement has not been reached and on which further study is needed. It does not make sense, however, to delay the complete process of reform until a decision is reached on every item.

On the federal level, there are no valid reasons for delaying action on those sections of the Green Paper pertaining to changes in the income tax law which would remove certain inequities in the law concerned with the preservation of personal income for retirement through tax deferral schemes and the suggested additional options for the converting of RRSPs to retirement income instruments.

If these measures can be given priority by the provincial and federal governments, the broader issues of reform of the Canadian Pension System as outlined in the Green Paper and as detailed in this Report can be proceeded with as indicated.

The Commission feels that many reforms can be instituted without waiting for the completion of the additional study suggested by the Green Paper, and expresses the hope that Nova Scotia will coordinate changes with other jurisdictions to immediately implement those changes on which there is consensus.

The Commission recommends that:

63 - THE GOVERNMENT OF NOVA SCOTIA, AS SOON AS POSSIBLE, ACT ON THE CHANGES IN THE PENSIONS BENEFIT ACT AND OTHER MATTERS IN THE JURISDICTION OF THE PROVINCE AS ARE RECOMMENDED BY THE COMMISSION IN THIS REPORT AND URGE THE OTHER PROVINCES TO TAKE SIMILAR ACTION.

The Commission recommends that:

64 - THE GOVERNMENT OF NOVA SCOTIA ACT AS EXPEDITIOUSLY AS POSSIBLE TO REQUEST THE GOVERNMENT OF CANADA TO AMEND THE INCOME TAX ACT AS SET OUT IN RECOMMENDATION NO. 1, 2, AND 60 IN THIS REPORT.

The Green Paper on Pensions has indicated a desire on the part of the Government of Canada to provide for an expansion of the tax-deferral elements of the income tax law to permit and encourage Canadians who have not, in prior years, had the opportunity to reserve monies for retirement purposes. It is indicated that the federal government might be disposed to increase the permissible annual dollar limits on contributions to tax-deferred retirement savings plans provided that some limits are placed on the total amount of contributions.

The Commission recommends that:

65 - THE GOVERNMENT OF NOVA SCOTIA ENDORSE THE FEDERAL GOVERNMENT'S SUGGESTION THAT FAIRER AND MORE FLEXIBLE TAX TREATMENT OF RETIREMENT SAVINGS PLANS BE ENACTED TO THE END THAT THOSE WHO FOR ANY REASON WERE UNABLE IN YEARS PAST TO RESERVE FUNDS TO THE ALLOWABLE LIMITS MAY BE PERMITTED TO USE SUCH UNUSED ALLOWANCES IN SUBSEQUENT YEARS.

The Report of the Commission puts the highest priority on the need to move the provision of retirement income for eligible Canadians away from the social welfare concept as manifested in the Guaranteed Income Supplement to the contributory approach as expressed in legislation creating the Old Age Security Fund in 1951. This was further developed through the introduction of the Canada Pension Plan in 1966, government encouragement of occupational pension plans, retirement savings schemes and other legislative devices.

The expansion of the Canada Pension Plan as herein recommended will gradually reduce the heavy dependence of Nova Scotians on the GIS. It will transfer some money from Nova Scotians as contributions to the CPP both as employers and employees and will reduce the amount of funds transferred from Ottawa to Nova Scotians.

The resulting increase in the CPP benefits will over the years replace, to a great extent, GIS payments and will release federal funds for other social programs, some of which are in jeopardy because of declining tax revenues and growing costs.

SUPERINTENDENT OF PENSIONS

The Nova Scotia Pension Benefits Act provides for the appointment of a person to be Superintendent of Pensions and lists as the first responsibility of that person,

> **"the promotion of the establishment, extension and improvement of pension plans throughout Nova Scotia".**

The person selected to carry out the duties of Superintendent of Pensions has been assigned other responsibilities within the Department of Finance, therefore, the amount of time devoted to the promotion of the establishment, extension and improvement of pension plans has been minimal. The bulk of time given to pension matters has been that of administering existing pension plans.

If the recommendations of this Report on the improvements of occupational pension plans including the establishing of the Central Pension Registry are accepted, then the Superintendent will have less time to devote to duties assigned beyond those ascribed to that office. If that official is to fully discharge the responsibilities assigned to him by law, he should be relieved of non-pension related responsibilities.

The Commission recommends that:

66 - THE SUPERINTENDENT OF PENSIONS GIVE FULL TIME TO THE DUTIES AS PRESCRIBED BY THE PENSION BENEFITS ACT WHICH INCLUDES THE PROMOTION OF THE ESTABLISHMENT, EXTENSION AND IMPROVEMENT OF PENSION PLANS THROUGHOUT NOVA SCOTIA.

CONCLUSION

Most social security systems began as flat rate benefit arrangements. In the last 25 years, wage related systems have replaced or been added to flat-rate systems. This applies equally in government as in private pension plans. The two systems (flat-rate and wage related) are based on different theories of the role of social security. The first sees social security as an expression of society's obligation to support its members and to offer, at least, a minimum standard of subsistence. The second is based on the assumption that benefits are granted in return for the insured person's contributions during his working life, and usually takes for granted the need for a minimum subsistence standard, but regards it as the starting point only.

Global advances in social security suggest that the trend is partly a consequence of increasing affluence. Workers who have striven for and achieved a reasonable standard of affluence through wage negotiations and because of general economic progress are no longer prepared to accept a minimum subsistence level during retirement.

The wage related approach is increasingly being adopted in Canada, both in the Canada/Quebec Pension Plans and in the private pension area where only a few plans maintain the flat rate schemes.

It has been argued that while differentiation of wages is necessary for the functioning of the economy and occurs in all types of political systems, these inequalities should not be carried through into retirement. The level of wages a person earns during working life depends on a wide range of factors frequently beyond the control of the individual.

Natural abilities, physical and mental, educational attainment, the environment in which one lives and many other factors determine job opportunities and career choices and hence the level of income secured.

Wage differentiation is not necessarily based on society's need for certain jobs to be undertaken. Society needs both surgeons and garbage collectors, both company executives and general laborers, but the rewards offered for fulfilling society's needs are not only highly differentiated during work life but, under a wage related pension system, will remain so in retirement.

The problem then is to reconcile natural human aspirations and social justice. Several approaches to this problem have been initiated. One is the establishment of minimum income programs, usually means tested, which upgrade the lowest retirement income to an agreed minimum of adequacy. Another combines a universal flat-rate benefit with a wage related system. The flat-rate benefit acts to upgrade the proportion of income received by the lowest income earners as a final pension and the wage related pensions generally determine the lifestyle of the contributors.

There are arguments for and against these approaches. Minimum income programs do direct money to those who need it most, but they tend to establish income levels at, or marginally above, the poverty line. While this may be enough to live on, it is a poor reward for 45 to 50 years of work in the paid labour force.

Most scenarios projecting pension benefits to be derived through a combination of public and occupational pension plans generally project the maximum possible benefits. Such maximum results are very seldom achieved. Most pensions fail to accumulate the maximum qualifying contributory services because of a number of reasons, among them are:

1. Delayed entry into the work force because of longer periods of education.
2. Difficulty in securing permanent employment in chosen career.
3. Loss of contributory time due to illness or periods of unemployment.
4. For women, dropping out of the work force to have children.
5. Loss of contributory service in moving from employer to employer and confronting rules requiring passage of time before becoming eligible for membership in occupational plans.
6. Loss of employer's contributions where vesting requirements are prolonged and indeed almost punitive.
7. Lack of provison to carry pension credits from one occupational plan to another.

Supplementary arrangements tend to divert public and political attention from needed changes in the universal national pension programs, while at the same time holding those who are being assisted to a minimum level. The flat rate plus wage related system carries no stigma and has the advantage of being universal and of providing a minimum base on which other benefits can be built. The OAS is often criticized for diverting taxpayers' money to the comfortably off (especially where it is now non-contributory), and the fact that it is universal tends to mean the flat-rate benefit is set and maintained at a minimum level. Even if it is indexed to the consumer price index, if it was inadequate to start with, it will not become more adequate by indexing.

As noted earlier, future generations of pensioners will not be content with retirement incomes that will result in significant reductions in their standard of living. Most Canadians define their retirement goals as the maintaining of the living standards they have achieved in their pre-retirement years.

For those who have attained a comfortable standard of living in pre-retirement years, this was perceived by the Commission to be a laudable objective. But the Commission was acutely aware, during the examination of the subject, that the issue insofar as those in low paying jobs were concerned was not the degree of income replacement in retirement, but rather that they should have sufficient income to live in retirement in dignity and comfort.

To attain these goals, Canadians must not only reserve more of their income for contributory government pension plans and occupational pension plans, but must also contribute more to other retirement savings plans.

Nova Scotians are proud people and want to make their own way in life. The vast majority are opposed to handouts and would prefer work over welfare. Most would prefer to draw retirement income from plans to which they had contributed during their working career even though, in many cases, the contributions would be minimal.

Most respondents to the survey carried out by the Commission among pensioners in late 1982 expressed regret that they did not have the opportunity to contribute to pension schemes during their productive years.

Some criticism has been directed at the possibility that if certain changes take place in the pension field, then examples of pension incomes will show persons drawing pension income in excess of their pre-retirement income.

The fallacy in this argument is illustrated in the following figures taken from the most recent report of CPP figures released by Health and Welfare Canada in February 1983. Those persons collecting CPP benefits for the first time after 17 years of contributions at the maximum rates would be entitled to a CPP pension of $345.15 per month. In fact, the average CPP benefit paid to those drawing such benefits for the first time in Nova Scotia was $227.25 per month. Taking all CPP recipients now drawing benefits, the average monthly payment is only $185.61.

The figure usually projected for pensions to be drawn by persons who are members of occupational pension plans are those based on the member having completed the maximum 35 years of contributory service. Testimony before the Commission indicates that few plan members attain the maximum period of contributory service. The City of Halifax's average years of pensionable service is 26 years. The average for the telephone utility employees is 28 years and the average length of pensionable service of those proceeding to Provincial Superannuation in 1981 was only 18 years!

The average years of pensionable service of Provincial Civil Servants who retired in 1981 in some other provinces were: British Columbia, 10 to 14 years; Prince Edward Island, 19.6 years; Manitoba, 20.5 years; and Saskatchewan, 24 years.

Despite the publicity given to the high pensions paid to members of the Federal Public Service in the more senior positions, the average pension paid to Federal Public Servants going to pension in 1981 was slightly less than $8,000 per year (not quite twice what they would be able to draw through the GIS).

In this report, the major recommendation of the Commission is in response to what was perceived to be an urgent need to move the provision of retirement income away from that of a social welfare program as manifested in the heavy reliance on the Guaranteed Income Supplement to a system where the bulk of such income will come from an expanded and improved Canada Pension Plan and upgraded occupational pension plans.

The Commission is of the opinion that the Government of Canada should adhere to the principles enunciated when the Guaranteed Income Supplement was introduced in the House of Commons on December 5, 1966.

The principle stated then was that the GIS was to be a temporary measure designed to cover the period pending the maturation of the Canada Pension Plan. Unless the recommendations contained in this report are adopted the retirement income system for many Canadians will continue to be one based on the social welfare principle and will result in an ever growing burden on the taxpayers.

When the GIS was introduced, it was never anticipated that it would become and continue to be a major component of the retirement incomes of Canadians. From an initial cost of $200 million, it has grown in 1982 to approximately $2.5 billion. As far as the Commission has been able to ascertain, there are no projections of how high these costs will go in the next ten or twenty years. This total payment of $2.5 billion to elderly Canadians under the name of the Guaranteed Income Supplement is roughly equivalent to the total of employees' contributions to occupational pension plans in 1982.

There has been considerable criticism of the open-ended costs of the Canada Pension Plan from many financial institutions, especially those involved in the private pension field, but little has been said about the rapidly escalating costs of the Guaranteed Income Supplement. This Report has remarked on the very high proportion of present day pensioners whose incomes from other sources is so low as to qualify them for the GIS; in fact, two-thirds of those now on pension in Nova Scotia must draw supplementary benefits through the GIS. The Report also indicates that computer analyses project these circumstances well into the future.

It has been emphasized that the Canada Pension Plan is essentially a pay-as-you-go plan with only sufficient cash reserves to cover two years of pay-out of benefits. From that point on, benefits will be paid by current contributions of those then in the work force. It is argued that to move to a fully funded plan will require greatly increased contributions and could result in a fund which could swamp the capital investment market.

If the investment of part of the CPP funds through the private sector as suggested in Recommendation Number 13 is put into practice, consideration should be given to gradually expanding the proportion of CPP contributions to be directed to the private sector for investment.

The term "intergenerational transfer" is used to describe the transfer of contributions of those in the work force to those in receipt of public pensions, especially that portion of the Canada Pension Plan to be financed on a pay-as-you-go basis. The repeated use of the term creates the impression that this is the only "intergenerational transfer" existing within the Canadian social system.

One other apparent "intergenerational transfer" is the cost to the public of maintaining the educational system of Canada. The net cost of education to the federal, provincial and municipal governments of Canada in 1977-78 was $14.873 billion. These costs were borne by those in the tax paying years, hence can be described as an "intergenerational transfer".

In 1979, the costs of maintaining the Old Age Security Program, the Guaranteed Income Supplements, Spousal Allowances and payments to veterans was just about $6 billion. This does not include supplementary provincial programs of the cost of maintaining the elderly in institutional care (which covers about 5 percent of those over 65 years).

The point is here made that the principle of intergenerational transfers is not new and that the intergenerational transfer required to support young people in the educational field is nearly twice that of maintaining the elderly.

Some fears have been expressed that future generations will be unwilling to forego current income to provide pensions to the elderly and that they may rebel against such impositions. There are no positive answers to these fears, indeed faith in the future taxpayers is the only guarantee that public pensions or any other social programs will be continued in force.

Canadians have demonstrated their willingness to be taxed to maintain these social programs and have accepted these programs as being superior to the provision of care and support of the ill, the afflicted and the elderly as provided on a charitable basis by religious bodies and philanthropic organizations. Support of these programs is in accordance with the Judeo-Christian ethic and is consistent with the principles of most of the world's major religions.

The following is a reading from the book of Sirach:

Verse 3 - Who so honoreth his father maketh an atonement for his sins.

4 - And he that honoreth his mother is as one that layeth up treasure.

5 - Who so honoreth his father shall have joy of his own children and when he maketh prayer he shall be heard.

6 - He that honoreth his father shall have a long life and he that is obedient unto the Lord shall be a comfort to his mother.

12 - My son help thy father in his age and grieve him not as long as he liveth.

13 - And if his understanding fail have patience with him and despise him not when thou art in thy full strength.

14 - For the relieving of thy father shall not be forgotten and instead of sins it shall be added to build thee up."

SOURCE: Ecclesiastics - Chapter III

The Commission submits this report in the hope that the Government of Nova Scotia will find the recommendations are such as can be approved by Government and, in this hope, the Commissioners affix their signatures:

Charles A. Vaughan	Charles A. Vaughan, Chairman
Ellen S. McLean	Ellen S. McLean, Vice-Chairman
	* J. Bruce MacDonald, Secretary
Rose Chandler	Rose Chandler
Herbert T. Hart	Herbert T. Hart
William H. Marsh	William H. Marsh
George C. Piercey	George C. Piercey
Stewart D. Vair	Stewart D. Vair

Halifax, Nova Scotia, March 18, 1983

*See Dissenting Opinion, Pages 230 to 253.

The following organizations and individuals appeared before the Commission or submitted formal presentations. The Commission expresses its appreciation to the officers and members of these organizations and to the interested individuals whose names are here listed. The evident research and well reasoned suggestions contributed much to the formulation of the recommendations of the Commission.

Nova Scotia Advisory Council on the Status of Women
Nova Scotia Association of Professional Engineers
Atlantic Chamber of Commerce
Bulger Group of Companies
Canadian Council on Social Development
Canadian Federation of Independent Companies
Canadian Institute of Actuaries
Canadian Labour Congress
Canadian Life and Health Insurance Association
Canadian Manufacturers Association
Canadian National (Railroad) Pensioners Association
Canadian Pensioners Concerned, Nova Scotia Branch
Canadian Pensioners Concerned, Sydney
Canadian Research Institute for the Advancement of Women
Cape Breton Council of Senior Citizens
Cape Breton District Labour Council
Catholic Women's League of Nova Scotia
City of Halifax Pension Fund
Devco Railway Employees Union
Halifax Business & Professional Women
International Brotherhood of Electrical Workers, Nova Scotia Section
William M. Mercer Limited
Mount Saint Vincent University (some faculty members)
Nova Scotia Association of Health Organizations
Nova Scotia Federation of Agriculture
Nova Scotia Federation of Labour
Nova Scotia Government Employees Union
Nova Scotia Institute of Agrologists
Nova Scotia Provincial Council of Women
Nova Scotia New Democratic Party
Nova Scotia Retired Teachers Association, Glace Bay Branch
Nova Scotia Teachers Union - Dartmouth Local
Nova Scotia Teachers Union Executive
Nova Scotia Women & the Law Group

Nova Scotia Women's Action Committee
The Paul Mascarene Society
The Quota Club
Trust Companies Association of Canada
University Women's Club of Truro
Zonta Club, Halifax
Margaret Busche
C. E. Clark
Charles Collins
Dorothy Doake
Lucille Hamm
N. Stanley Holt
Paul Huber
W.S. Hubley
Neil Kennedy
Errol Knickle
H. Konow
George MacDonald
Wm. A. Martin
Ian Meadows
John L. Murphy
Evelyn O'Hearn
Philip Peapell
Jean Porter
Evan Scott
Murray G. Warrington
Eric Webber
John C. Wrin
Arthur Yuill

In addition, representatives of the folliwng business concerns came before the Commission and supplied information on company pension arrangements:

Atlantic Bridge Company Limited
Hawker-Siddeley Canada Inc.
Maritime Tel & Tel Company Limited
Michelin Tire Canada Limited
National Sea Products Limited
Rafuse Supplies Limited
Scott Maritimes Limited
Simpson-Sears Limited
Sobeys Stores Limited

Before public hearings were staged, the Commission went through a period of familiarization in order to have a better understanding of the issues and invited a number of knowledgeable persons to meet and explain the salient points.

Among these were: Frank Arthur, District Director Veterans' Affairs, Department of Veterans' Affairs, Halifax; Clarence Baker, Acting District Manager, Federal Income Security Programs; Alan Clark, Co-ordinator, Senior Citizens Commission of Nova Scotia; Percy Fleet, Superintendent of Pensions, Province of Nova Scotia; H. R. Gill, Comptroller, Workers' Compensation Board of Nova Scotia; Roberto Gualtieri, Executive Director, Privy Council Task Force on Pensions, Ottawa; (Judge) Donna Haley, Q.C., Chairman, Royal Commission on the Status of Pensions in Ontario; Dr. Fred R. MacKinnon, Director, Senior Citizens, Secretariat of Nova Scotia (former Deputy Minister of Social Services of the Province of Nova Scotia); Elizabeth McNaughton, Research and Planning Officer, Department of Social Services, Province of Nova Scotia; Kenneth Smith, Financial Executives Institute of Canada, Toronto; Cecil White, Vice-President, Metropolitan Life of Canada, Ottawa.

While all of the above may not endorse all of the recommendations of the Report, the Commission does extend its most sincere appreciation for the assistance, encouragement and helpful suggestions.

The Commission expresses its appreciation to researchers - Sharon Cunningham, B.A., M.B.A., Rita Snow, B.A., B.S.W., Mark Cann, B. Comm., M.B.A., and Christina MacDonald for their work on the compilation of statistics, the collection of data and analyses of information gathered through personal interviews, surveys and research. Most important, their interest in the subject matter contributed a great deal to the form and content of the Report.

The Commission thanks Maureen Conrad for assuming the secretarial responsibilities after the departure of Mrs. Parent in May 1982. The Commission appreciates the work of Mrs. Conrad in assembling the various parts of the Report and, through the medium of modern word processing equipment, assisting in no small way in the production of this Report.

Emilie Parent is remembered for her efforts during the initial work of the Commission when she laboured as its only employee prior to her departure for Montreal, where she has accepted a position at McGill University. Her interest in the challenge embodied in the mandate of the Commission was evident in her work and is most sincerely appreciated.

THE CPP AND HOMEMAKERS - A SECOND LOOK

The following proposal for the inclusion of homemakers in the CPP was prepared by several Commissioners. Unfortunately, the Commission was unable to give it the full consideration it warrants. While the Commission finds much merit in the proposal, it is not prepared to include it in its recommendations without more consideration. However, the Commission suggests that it be the subject of further examination.

> **"No group in our society should suffer discrimination. Pension benefits should be available to all. Though homemakers are not paid wages, they are essentially employees paid in kind. They must not be ignored in pension reform.**
>
> **As early as 1970, the need for pension reform for women was expressed in the report of the Royal Commission on the Status of Women which stated that 'housewives should be entitled to pensions in their own right under the Canada Pension Plan or the Quebec Pension Plan'.**
>
> **In March 1982, the Canadian Advisory Council on the Status of women recommended that 'in recognition of the social injustice, resulting from society ignoring the value of the work performed by homemakers, and to promote the economic independence of the individual, the CACSW urges the immediate inclusion of homemakers in the C/QPP at a level no less than one-half the average industrial wage'.**
>
> **In May 1982, the Nova Scotia Advisory Council on the Status of Women in its brief to this Commission stated in one of its recommendations that 'women whose main occupation is to keep house for someone else without fixed cash compensation be required to participate in the CPP. These would include wives who are chiefly engaged in keeping house**

for their husbands and children who are over 7 years of age. Benefits under the CPP for homemakers relative to the above years of service would be based on an assumed level of earnings approximately that of the federal minimum wage. It would appear that contributions would be required to provide benefits under the CPP for homemakers in respect of the above years of service. Because the homemakers' duties would primarily benefit the individuals being looked after, it would appear unreasonable to expect the tax system to bear the additional cost. Instead, the individuals being looked after by the homemakers would be responsible for the funding of such benefits by making both the employee and employer portions of the CPP contribution...'

We are very much aware of the difficulties inherent in the proposal that homemakers be included in the CPP. We know that there is no perfect solution to the problem of how this should be done. However, even though there are shortcomings and obstacles to overcome, we would respectively request that consideration be given to the following:

1. that every homemaker (by homemaker is meant a person whose main occupation is to keep house for someone else without fixed remuneration) be credited with pensionable earnings for CPP purposes equal to the lesser of:

   i) 50 percent of the national average industrial wage, or
   ii) 50 percent of the spouse's earnings.

2. that income in the above (i) will be reduced by any earnings the homemaker has received from employment that count for CPP purposes.

3. that the spouse's earnings will be reduced for CPP purposes by the amount credited to the homemaker.

This reduction will not be accompanied by any reduction in contributions.

4. that contributions on the amount credited to the homemaker will be made at the self-employed rate to the extent such contributions have not already been made. Examples:

Based on the assumption that the YMPE has been raised to the AIW and that the figure is $20,000, and that the husband is the wage earner:

A. Husband earns under the AIW, e.g., $18,000. Amount credited to the homemaker is the lesser of 50 percent of AIW, or 50 percent of earnings. In this case, $9,000. Husband's pensionable earnings for CPP purposes reduced to $9,000. However, he and his employer have already contributed on this amount so no contributions from homemaker are required. If homemaker had part-time employment, giving say $5,000 of income, the amount credited is only $4,000. Again, no contributions on this $4,000 are required.

B. Husband earns between 100 percent and 150 percent of AIW, e.g, $26,000. Homemaker credited with $10,000. Pensionable earnings for husband reduced by $10,000. Husband's earnings for CPP purposes reduced to $16,000. But contributions have been made on $20,000. Thus, contributions have been made on $4,000 of the homemaker's credit, and she need only contribute on $6,000.

C. Husband earns over 150 percent of the AIW, e.g, $34,000. Homemaker credited with $10,000. Husband's earnings for CPP purposes reduced to $24,000, which is more than $20,000, so he is credited with $20,000. Homemaker must contribute on the entire amount of her credit.

5. In the event of a homemaker whose husband is unemployed, or a homemaker caring for an elderly person or a disabled person with an income, the credit could be 50 percent of the spouse's income, even though that income does not count for the purpose of CPP, e.g., investment income, disability payments, UIC benefits, pensions, etc."

DISSENTING OPINION OF J. BRUCE MACDONALD

The Secretary of the Nova Scotia Royal Commission on Pensions, Mr. MacDonald, submits the following dissent, being his objections to recommendation number 10.

Mr. MacDonald's dissenting opinion is as here presented.

DISSENT ON CPP RECOMMENDATIONS

The Commission has recommended a number of changes in the Canada Pension Plan:

While I concur in the majority of these recommendations, I must respectfully dissent from that part of Recommendation Number 10 advocating a doubling of CPP benefits. I have many reasons and these will be listed and discussed.

1. The Governments of Ontario and British Columbia, and the Haley Commission all came to the conclusion this was unnecessary. So did the Business Consensus on Pension Reform. A recent article in the Business Quarterly (December 1982) by von Lanzenauer and Blindert reached the same conclusion. I concur in these opinions. The federal Green Paper did not consider expansion a major issue.

2. The recommendation does nothing for those most in need, the current elderly with no or small CPP benefits. This includes widows.
3. Inasmuch as present arrangements, with the increase in covered earnings, guarantees a married couple earning up to the average industrial wage a post-retirement income of up to 83.4 percent of pre-retirement income the case for an increase is "not proven". The proposed recommendation would result in income for those earning up to 80 percent of the average industrial wage being in excess of pre-retirement income. This is discussed in detail under "Social Effect of CPP Changes".
4. The proposed change increases contributions on the lower paid, and switches a non-taxable GIS benefit to a taxable CPP benefit (See "Social Effect" also).
5. There are other changes in the CPP which probably have a higher priority. This is discussed in "The Design of the CPP".
6. No increase in CPP benefits should be made without cost estimates for all programmes for the aged: OAS, GIS and Medicare. This is discussed more fully in "The Funding and Costs of the Canada Pension Plan and Other Programmes for the Elderly". While the cost of the proposed change appears to be within acceptable limits if viewed in isolation, it may not be if the other programs are taken into account. Even if the cost were acceptable, there is a possibility it might preclude other more necessary changes in the CPP to which

reference is made under "Design", as the combined cost might be too high.

7. There will be a disruption and redesign of all occupational pension plans. While this must be accepted for a necessary change, the expense and disruption are not worthwhile for a marginal change. This is discussed in "The Effect on Private Plans".
8. The recommendation for an expansion of the CPP is logically inconsistent with the reason given opposing mandatory plans. See "Mandatory Plans vs Expansion of the CPP".
9. If homemakers are included in the CPP, as is suggested, then an increase in CPP benefits is even more unnecessary.

SOCIAL EFFECT OF CPP CHANGES

An increase in CPP benefits will have the effect of reducing reliance on the GIS. This is regarded as desirable as it replaces an income-tested benefit, which to some smacks of welfare, with an "earned" benefit. However, it also requires an increase in contributions which will fall most heavily on the lower wage earners. They will thus now have to make contributions towards an increased CPP and receive, in return, a reduced GIS. Further, the GIS benefit is not subject to income tax while CPP benefits are. Surely this is regressive taxation - making the poor pay for what they now receive for nothing, and taxing what they now receive tax free.

This is illustrated in the subsequent tables which show for both income prior to retirement and after retirement, the present position and that if the Commission's proposals are adopted. It is assumed that the change in CPP benefits will require an increase of 50 percent in CPP premiums.

It will be noted that I do not accept the Commission's approach of concentrating on pre-tax income or gross income. After tax income is what matters and is the criterion on which any proposal must stand or fall. Admittedly pre-tax income is easier to comprehend, but it is not real income. Allowance must be made for income tax, and that the present tax system grants certain benefits to those age 65 and over.

For the subsequent tables, the following annual level of benefits in 1983 have been used. These are as of January 1, 1983.

OAS		$3,007.44
GIS (single)	up to	$3,031.20
GIS (married)	up to	$2,338.44 for each member of a couple
SPA	up to	$5,345.88
CPP	up to	$4,141.68
CPP contribution		$300.60 per year

From this we construct the following estimate of 1983 income. The CPP income is based on earnings in 1982 in the amount shown, the assumption that earnings have always been at the same percentage of covered earnings, and that there have been earnings in a sufficient number of years that CPP benefits are not reduced. It is assumed for GIS purposes there is no other income. Retirement is in January 1983. Figures are shown for the current situation ("status quo"), on the assumption that covered earnings are increased to the average industrial wage ($20,000 in 1982) (Proposal A) and that in addition to Proposal A, CPP benefits are increased by 50 percent (Proposal B). Note that Proposal A only applies at the $20,000 level. The incomes shown are all gross, i.e., pre-tax. The tables are shown following pages 496 to 499.

In the interests of simplicity, figures were not prepared covering cases where the spouse is under 65 and in receipt of a spouse's allowance. Inasmuch as the spouse's allowance is the sum of OAS and GIS, the figures are not much different from those with a spouse over 65.

It should be noted that in all cases, the gross increase in benefits is much less than the increase in CPP benefits.

Recommendation 6 indicated that the minimum income for a couple be 70 percent of twice the federal minimum wage, and for a single person, 60 percent of this amount. The federal minimum wage is $3.50 per hour. Assuming a 40 hour week, this gives an annual income of $7,280 and sets the income for a couple at $10,192 and for a single person at $6,115. (As at January 1, 1980 the Haley Commission suggested $9,201 and $5,368 respectively.)

The tables above indicate that a single person with no other income as at January 1, 1983 will receive $6,039 (compared with $6,115) and a married couple with no other income $10,692 (compared with $10,192).

It would thus appear that the existing set of programmes already meet the minimum and no increase is necessary for this reason.

Next, I compare the pre-retirement and post-retirement incomes for individuals whose earnings in 1982 were either $10,000, $15,000 or $20,000. This is done both on a "gross" and "disposable" income base. "Disposable" income is defined as income after paying income taxes, CPP, and UIC contributions (if any). For each year, applicable tax rates and deductions were used. The standard charitable/medical deduction of $100 was used in both years. In 1982, the employment expenses deduction was also employed. In 1983, the additional age exemption was also used. The pension income exemption was not employed as it does not apply to CPP, OAS, or GIS income. This is shown in the table on the following page.

It must be remembered that in the immediate future, most retirements will occur among one wage earner families.

At present, one-wage earner families earning up to 75 pecent of the average industrial wage should have post-retirement income equal to 100 percent of their pre-retirement income.

TABLE 102

COMPARISON OF PRE AND POST RETIREMENT INCOME ON GROSS AND DISPOSABLE BASES

PRESENT SYSTEM

SINGLE						MARRIED					
1982 Income		1983 Income		Ratios		1982 Income		1983 Income		Ratios	
Gross	Disposable	Gross	Disposable	Gross	Disposable	Gross	Disposable	Gross	Disposable	Gross	Disposable
$10,000	$ 8,343	$ 7,289	$ 7,289	72.9%	87.4%	$10,000	$ 9,273	$11,442	$11,442	114.4%	123.4%
15,000	11,502	7,914	7,914	52.8%	68.8%	15,000	12,666	12,567	12,559	83.8%	99.2%
20,000	14,417	8,109	8,053	40.5%	55.9%	20,000	15,734	12,763	12,735	63.8%	80.9%

CHANGE: COVERED EARNINGS AT AVERAGE INDUSTRIAL WAGE - PROPOSAL A

(DOES NOT EFFECT $10,000 OR $15,000 LEVEL)

20,000	14,385	8,549	8,369	42.7%	58.2%	20,000	15,697	13,202	13,093	66.0%	83.4%

CHANGE: COVERED EARNINGS AT AVERAGE INDUSTRIAL WAGE AND

50 PERCENT INCREASE IN CPP BENEFITS - PROPOSAL B

10,000	8,291	7,941	7,896	79.1%	95.2%	10,000	9,218	12,567	12,559	125.7%	136.2%
15,000	11,432	8,857	8,657	59.0%	75.7%	15,000	12,589	13,504	13,241	75.7%	105.2%
20,000	14,298	10,538	9,638	52.7%	67.4%	20,000	15,597	14,457	13,644	72.3%	87.5%

If Proposal A is implemented, such families with earnings up to the average industrial wage will have post-retirement disposable income of at least 83.4 percent of their pre-retirement income. If Proposal B is implemented, this increases to 87.5 percent as a minimum. However, families earning up to about 80 percent of the average industrial wage will have higher income after retirement than before. It does not take much income from a private pension plan, an RRSP, or some other form of savings to increase these percentages.

This demonstrates that the recommended change is unnecessary as far as married one earner families are concerned.

As far as single persons are concerned, the replacement ratios are not satisfactory either on the "status quo" or after implementing any of the proposed changes. If the ratio of disposable post to pre-retirement income for singles is to be equal to that for married couples, an increase in their gross incomes of the order of $4,000 per year is obviously necessary.

This, however, cannot be done within the CPP because of its earnings related nature. Thus it must be done either by means of OAS or GIS. If this is limited to single people, it will put their income at about the same level as for a married couple, and well above the minimum level recommended by the Commission.

The root cause of the dilemma is the implicit assumption that single people need less money than a married couple to live adequately. This is inherent in the whole OAS/GIS system. If we assume that a single person needs only 60 percent to 65 percent of what a married couple require, then the disposable income figures for singles become reasonable.

Of course, if a single person has been spending all of his disposable income, then his living standard will drop at retirement, unlike the married couple's whose standard will be maintined. However, up to retirement, his living standard will be higher and it should not drop below that which the married couple had had. If the single individual wishes to continue a higher standard, then it was incumbent to save some of his income.

I do not consider that the figures indicate an expansion of the CPP in the form recommended (other than increasing covered earnings to the average industrial wage) is necessary.

POST-RETIREMENT INCOMES

Single: No CPP Benefits

	Status Quo	Proposal B
OAS	3,007.44	3,007.44
GIS	3,031.20	3,031.20
	6,038.64	6,038.64

Single: 1982 Earnings $10,000

	Status Quo	Proposal B
OAS	3,007.44	3,007.44
GIS	1,781.20	1,156.20
CPP	2,500.00	3,750.00
	7,288.64	7,913.64

Single: 1982 Earnings $15,000

	Status Quo	Proposal B
OAS	3,007.44	3,007.44
GIS	1,156.20	218.70
CPP	3,750.00	5,625.00
	7,913.64	8,857.14

Single: 1982 Earnings $16,500

	Status Quo	Proposal B
OAS	3,007.44	3,007.44
GIS	960.36	NIL
CPP	4,141.68	6,212.52
	8,109.48	9,219.96

Single: 1982 Earnings $20,000

	Status Quo	Proposal A	Proposal B
OAS	3,007.44	3,007.44	3,007.44
GIS	960.36	521.09	NIL
CPP	4,141.68	5,020.22	7,530.33
	8,109.48	8,548.75	10,537.77

Married: Spouse over 65, No CPP Benefit

	Status Quo	Proposal B
OAS	6,014.88	6,014.88
GIS	4,676.88	4,676.88
	10,691.76	10,691.76

Married: Spouse over 65, 1982 Earning $10,000
No CPP Benefit for Spouse

	Status Quo	Proposal B
OAS	6,014.88	6,014.88
GIS	3,426.88	2,801.88
CPP	2,500.00	3,750.00
	11,941.76	12,566.76

Married: Spouse over 65, 1982 Earning $15,000

No CPP Benefit for Spouse

	Status Quo	Proposal B
OAS	6,014.88	6,014.88
GIS	2,801.88	1,864.38
CPP	3,750.00	5,625.00
	12,566.76	13,504.26

Married: Spouse over 65, 1982 Earning $16,500

No CPP Benefit for Spouse

	Status Quo	Proposal B
OAS	6,014.88	6,014.88
GIS	2,606.04	1,570.62
CPP	4,141.68	6,212.52
	12,762.60	13,798.02

Married: Spouse over 65, 1982 Earning $20,000

No CPP Benefit for Spouse

	Status Quo	Proposal A	Proposal B
OAS	6,014.88	6,014.88	6,014.88
GIS	2,606.04	2,166.77	911.72
CPP	4,141.68	5,020.22	7,530.33
	12,762.60	13,201.87	14,456.93

THE DESIGN OF THE CPP

The design of the CPP does not meet the needs of today's citizens as a result of changes in the living patterns of Canadians. Some of these deficiencies will now be discussed.

Maximum Benefits

To be eligible for maximum benefits (in relation to a contributor's earnings), a contributor must have worked for his entire contributory period, less a 15 percent "drop-out". The contributory period begins at January 1, 1966 or the 18th birthday, whatever is later. For someone retiring on January 1, 1983, the contributory period is 12 years and the drop-out under two years. Hence a two year absence from the work force since 1966 is enough to prevent maximum benefits being paid. My understanding is that a very substantial number of current retirees are so affected.

For those under 18 at January 1, 1966, the maximum contribution period is 47 years, and the drop-out 7 years. Hence anyone who contributed for less than 40 years cannot qualify for maximum benefits. There are many reasons why a contributor might not contribute for 47 years. Some are:

i) Delay in entering the work force until education is completed;

ii) Not being a resident of Canada (the problem of immigrants was raised by the Canadian Labour Congress);

iii) Doing unpaid but socially valuable work such as child rearing, home-making, volunteer charitable work, further education, unpaid research, etc., etc.

iv) Unemployment;

v) Disability;

vi) Not entering the work force until after a marriage is dissolved by death or divorce.

The child-rearing drop-out, if introduced, will cover one of the reasons listed in (iii).

Unemployment at 1965 levels might not have been a serious problem, but today it affects many more Canadians than it did then.

The position of contributors who satisfy the rigorous CPP definitions of disability are protected, but those who do not, even if in receipt of disability benefits from insurance companies, are not.

Some of the causes may merit special treatment; some may not. Possibly the drop-out should be increased to (say) 30 percent, or alternatively maximum benefits be conditional on a certain number of years of contributions (e.g. 25).

Alternatively, we may have to recognize that an earnings related plan, whether public or occupational, requiring contributions over the entire career cannot produce an adequate pension by itself for someone who does not work an entire career. This implies a continuing reliance on demogrants such as the OAS, and quite possibly a continuance of income tested programmes such as GIS.

A change in drop-out provision will require increased contributions to the CPP. The continuation of reliance on OAS or GIS makes mandatory the cost projections for those programmes discussed elsewhere.

It should be noted that a flat increase in CPP benefits, say by 50 percent, does the most for those who worked a full career, and proportionately less with those with a large number of years dropped out.

I prefer a change in the drop-out provision to the increase in CPP benefits recommended.

Survivor Benefit

The survivor benefit in the CPP was designed with the one wage earner family in mind, and with that wage earner a male! Originally, the benefit was restricted to widows or disabled widowers. Widows under 45 only received the full benefit if they had children. Widows under 35 without children received no pension, while those between 35 and 45 received a pro-rated one. This seems to imply that women under 35 could get a job, those between 35 and 45 couldn't get a good job, and those over 45 were unemployable! No concessions were made with respect to the number of years those women may have been out of the work force, so they could not hope to earn maximum benefits. On the other hand, there were adjustments at age 65 between survivor benefits and CPP pensions earned in her own right.

The only change has been to pay benefits to surviving widowers without restriction.

The entire concept of survivor pensions needs rethinking. With a two wage earner family there may, or may not, be any need for survivor benefits at all. Certainly in many cases it will be unnecessary. This is not to say that there will not be many cases where survivor benefits will not be necessary as there will continue to be many one earner family where the survivor is not immediately capable of earning what the deceased partner did.

There are two concepts worthy of study. One is a greater emphasis on children's benefit. The other is a higher transitional benefit paid to the survivor for a limited period in place of a long term income. Such a benefit would allow for additional expenses, including education, that would ultimately phase out.

If CPP benefits are split as earned as has been proposed, then the spouse benefit after 65 at least, will need alteration.

(Since this was written, the federal Green Paper has discussed this and made similar suggestions).

Disability

The CPP provides disability benefits only in the event of permanent total disability. The definition is quite strict and is applied rigorously.

There are many who are sufficiently disabled that they cannot work, and qualify for benefits under commercial insurance policies. Yet they do not qualify for CPP benefits and have a period of nil earnings.

A federal provincial task force is studying the entire matter of disability. It may well recommend an expansion of CPP disability benefits (which includes a change in the definition of disability) or a separate disability plan. The first will increase CPP costs, while the second adds an additional element to the social insurance costs referred to elsewhere.

Indexing

Benefits are indexed with the Consumer Price Index. There is doubt that this is necessarily the best index for measuring the needs of pensioners, which are not the same as for the general population. For example, homes have been paid for and the education of children completed. Some items, as mentioned elsewhere in our report, are subsidized. Clothing and transportation needs are different and probably less expensive than for workers. Other items, such as health care, are more expensive.

It is time that a proper index related to the needs of pensioners was developed and the all-purpose CPI replaced.

Homemakers

There is a considerable feeling that homemakers and other performers of valuable non-paid work should be included in the CPP. As the problems connected with this are discussed elsewhere, they shall not be repeated here. Obviously the problem has not yet been solved.

However, it is apparent that not all such persons will be able to make CPP contributions. In this event, there will obviously be an increase in CPP contributions by those who do contribute. (It has been suggested that such contributions be made from general revenue: in that event, we require forecasts of the costs.)

Possibly this can best be handled by a change in the drop-out provisions as suggested earlier. This, however, does nothing for the individual whose entire career has been in unpaid work.

THE FUNDING AND COSTS OF THE CANADA PENSION PLAN AND OTHER PROGRAMMES FOR THE ELDERLY

In its initial years, the Canada Pension Plan was designed so that there would be a substantial excess of contributions over benefits paid. This excess was lent to the provinces. While the provinces paid interest on these loans, the CPP had no need for these funds and, in effect, the interest payments were lent back to the provinces, thereby increasing their indebtedess to the Canada Pension Plan. Alternatively, one could say that this interest was capitalized and added to the debt. It does not matter which approach is taken, as ultimately the effect is the same.

The day is now rapidly approaching when benefits under the CPP will exceed contributions. There has been no great difference in any of the reports of the government actuary since the inception of the CPP as to when this would happen: the CPP is right on its predicted course.

There are two extreme scenarios that can be followed with all sorts of intermediate ones. The first is to increase contributions to cover benefits and not require the provinces actually to pay any interest or principal on the loans. There will be merely an ever-increasing debt to the CPP. (This is not as unusual as it may appear: governments rarely, if ever, reduce their outstanding indebtedness.) The other extreme is not to increase contributions to the CPP at all until the provinces have repaid all interest and principal owing. These scenarios are discussed and illustrated in the actuarial report on the CPP prepared by the Department of Insurance and in the Haley Report. Both agree that ultimately the combined contribution rate to the CPP will rise from the present 3.6 percent to around 9 percent.

The Federal Green Paper suggests a number of "adjustments" to the CPP which will add a further 1.3 percent to the above costs. If both the Commission's recommendation and these adjustments are made, the ultimate level of CPP contributions will be 15 percent.

As long as the CPP operates on a pay-go basis, we must ensure that the ultimate cost level is one which the citizens are willing to meet. We must remember that pay-go means that the workers are paying for the pensions of those retired; pensioners are not being paid from assets built up by their contributions which went to provide benefits for those on pension. The whole scheme involves an intergenerational transfer of funds, which works as long as those who must pay accept it.

Hence, the long range cost implications must be kept firmly in mind. Obviously, it is a matter of opinion, not fact, as to what level of contribution future generations will accept. However, the CPP is far from being the only item.

Both OAS and GIS cost a substantial amount of money. No projections have ever been published as to the long range cost implications of these programmes.

It is well established that health care costs more for the elderly than for the younger. The Economic Council of Canada in their monograph "One in Three" predict that the population of Canada which is over 65 will move from 8.7 percent in 1976 to from 9.7 percent to 12.7 percent by 2001, and from 11.8 percent to 25.3 percent by 2031, depending upon the assumptions as to birth rate, immigration and mortality. In any event, the proportion of the elderly will increase and with it the costs of health care. I am unaware of any projections as to the cost of health care taking this into consideration.

On the other hand, the cost of education should drop as the proportion of the young decreases.

Thus while in isolation, the cost of the CPP might be acceptable, the cost of all programmes for the aged on a combined basis might be at a level which cannot be borne. Hence, no major changes in the CPP should be made without a complete study of the projected costs of all benefits for the aged.

It might be argued that the CPP can be protected by switching to an actuarial funding basis. This means contributing more now and less later. This, at least, would mean that CPP benefits were "secure".

There is a fallacy in this argument plus an entirely separate consideration. While it does ensure somewhat lower CPP costs in future, it does not ensure that the global cost of all benefits is acceptable. Further, the government actuary's report on the CPP initiates that the ultimate cost on actuarial funding to be about 8 percent, or not much lower than the "pay-go" costs.

The important consideration is how these funds are to be invested. They must be invested in a constructive, wealth-creating, economy-enhancing, job-creating manner. This means they cannot be used for the day-to-day operations of government. In fact, if they are exclusively lent to government, it can be argued that the plan is not funded at all. The interest on the bonds is paid by the citizens through their taxes, and all the lower CPP contributions do is result in higher taxes to pay the interest. (It is recognized that the universe of CPP contributors differs somewhat from the universe of taxpayers.)

The alternative is to have the funds invested in the private sector. This raises the frightening spectre of government control of and interference in private companies. We have already seen examples of this in Quebec.

Even if a government today renounced any intention of such interference and gave the money to private managers to invest as they thought advisable, I do not see how there could be any way of ensuring that some future government did not interfere. The best insurance against such interference is not to give the opportunity in the first place.

Hence, actuarial funding of the CPP offers no solution to the problem it purports to solve and creates even greater ones.

THE EFFECT ON PRIVATE PLANS

Any increase in benefits of the type recommended by the Commission (i.e., from 25 percent to 37.5 percent) will force every private plan to make extensive amendments to redesign the plan, just as happened when the Canada Pension Plan was introduced in 1965. For example, in 1965 plans providing a benefit of 2 percent of final average earnings were changed to provide benefits of 1.3 percent on the tranche of earnings covered by the CPP, and 2 percent on earnings in excess of this. If the Commission's recommendations are adopted, the credit on the first tranche will probably be reduced to 1 percent. There will, as well, be reductions in both employer and employee contributions.

This will involve all private plans in the expenses of redesigning their plan and, in some cases at least, will involve negotiations with employees.

Further, consideration will have to be given as to what changes in private plans will or will not be allowed. Will changes be allowed only in the pension credit to be earned in future, or will any type of retroactive adjustment be allowed? Certainly employees must not lose the benefits of their own contributions. If employer contributions are regarded as deferred wages, then no type of retroactive adjustment can be allowed. If, however, the obligation is just to pay a pension, then this obligation has been transferred in part from the private plan to the CPP. It can thus be argued that there should be a corresponding reduction in the obligation of the private plan, especially as the increasing CPP benefits will be financed solely by contributions to be made in the future.

Before any increases are made in the CPP, consideration will have to be given as to what form of integration will be acceptable and which will not.

Any increase in the CPP of the type recommended will involve a decrease in contributions to private plans, with a reduction of the funds available in the private sector for increasing productivity and jobs. There will be a corresponding increase in funds under the control of government.

While the Commission has made a recommendation, in which I concur, about using such funds more productively, I doubt if that recommendation will be accepted as a condition precedent to the enlargement of the CPP.

It should be noted that all of the problems mentioned in this section are non-existent or minimized if CPP benefits are increased by increasing the number of drop-out years, as this change does not directly benefit someone who is employed.

MANDATORY PLANS VS EXPANSION OF THE CPP

The Commission has rejected the introduction of mandatory occupational plans in the "present economic climate". Many business groups submitted the argument that they could not afford any type of pension plan.

On the other hand, we recommend an increase in CPP benefits with an increase in both employer and employee contributions of around 1 percent of pensionable earnings, plus whatever other increase results from the Green Paper proposal.

These two recommendations are inconsistent. If mandatory occupational plans at any level are unacceptable because of expense in the "present economic climate", surely increased contributions to the CPP are equally unacceptable!

The cost of any pension plan depends upon the benefits paid. While administration costs for the CPP are less than for private plans, the fact that it operates on a pay-go basis means that ultimately there will be no investment income to reduce contributions. Thus while the CPP may appear to be "cheaper" initially, its costs will ultimately be at least 250 percent of the present level.

Hence, if we accept the argument that small businesses cannot afford mandatory plans, equally they cannot afford ultimately an expansion in the CPP.

GLOSSARY OF PENSION TERMS

The following, with minor exceptions, used by the Haley Commission of Ontario was adopted by the Nova Scotia Royal Commission on Pensions as the official glossary of pension terms in the interest of uniformity and broader understanding.

Pension plan language displays a great variety in terms and usage from one occupation or firm to another, and often among different professionals. Government pension programs have introduced their own specialized terminology, including new or special meanings for old terms. In public discussion it often happens, therefore, that two different terms are used interchangeably; or an expression, though technically correct, is applied in a manner sufficiently unusual to confuse many readers - even, on occasion, the well-informed. It was thought useful to include this Glossary, covering as many as possible of the specialized words and phrases occurring in the Report itself and likely to be encountered in subsequent discussion of pension issues at various levels. The only items intentionally omitted are those not in general use today, or for which an adequate definition is possible only in the context of a full discussion, as is the case with some actuarial and legislative expressions.

AIW - Average Industrial Wage.

ACCRUED PENSION - Amount of pension credited to a plan member according to service, earnings, etc., up to a given time.

ACTUARIAL ASSUMPTIONS - In an actuarial valuation, a set of estimates of future developments affecting the cost of benefits to be provided under a pension plan (e.g., mortality, salary increases, investment return, employee turnover, retirement ages).

ACTUARIAL EQUIVALENT - Result of a calculation used to reduce or increase the amount of monthly pension payments when taken in a form other than the normal form of benefit - at a different age, or with different survivor conditions, etc. - but representing the same total value over the entire term of the expected payments. For example, a life pension commencing at age 60 may be a lower monthly amount than one starting at age 65 because a greater number of monthly payments are expected; it is said to be the actuarial equivalent of the age 65 pension when the present value is the same.

ACTUARIAL VALUATION - Examination of a pension plan by an actuary to assess the solvency of the plan and determine the level of contributions required to maintain its solvency.

ACTUARY - A professionally trained specialist in the pension and insurance fields. In Canada, full professional recognition requires membership in the Canadian Institute of Actuaries.

ADDITIONAL VOLUNTARY CONTRIBUTIONS - Contributions to a pension plan, made voluntarily by an employee, in addition to those required for specific plan benefits. Extra benefits are purchased by the additional contributions but no additional cost is borne by the employer.

ADEQUACY - A social judgement applied to determine the amount of income to be provided through government programs to the elderly - in this report, persons 65 aged and over. Adequacy level is defined as the amount required for adequacy in 1979 for persons who retired at the end of 1978; and adequacy standard is a formula for determining the adequacy level in subsequent years.

AD HOC ADJUSTMENT - Amount added to a pension after retirement, on an irregular basis and not as a result of a prior commitment or contract. To be distinguished from indexing.

AGE DISTRIBUTION - Analysis of the age of a group according to number of members in each age class: e.g., 20-24, 25-29, etc.

AGE PENSION - Term used to distinguish pensions payable on account of a person's age from those payable in the event of disability, etc.

AMORTIZATION PERIOD - Period of years over which payments are made into a pension plan to meet the cost of benefits that have not been fully funded. (See: Unfunded Liability.)

ANNUITY - In pension terminology, periodic payments (usually monthly) provided by the terms of a contract for the lifetime of an individual (the annuitant); may be a fixed or varying amount, and may continue for a period after the annuitant's death. See: Guaranteed Annuity; Joint and Survivor Annuity; Straight Life Annuity; Level Income Option; Participating Annuity; Variable Annuity; Normal Form of Benefit; Optional Form of Benefit.

ANNUITY RATE - Price charged by an issuer of annuities to provide a dollar of annuity (usually per month) under specified conditions to an individual based on the person's age, interest rates, etc.

AVAILABLE INCOME - Total dollar value of money income and other benefits received by an individual, including such items as income tax credits and free health plan premiums.

AVERAGE INDUSTRIAL WAGE - The Industrial Composite of Wages and Salaries (weekly) as measured by Statistics Canada and reported in Employment, Earnings and Hours (Cat. 72-002). Usually cited as an annual average.

BENEFICIARY - In a pension plan, a person who, on the death of a plan member or pensioner, may become entitled to a benefit under the plan. (See: Survivor Benefits, Death Benefits.)

BENEFIT - Generally, any form of payment to which a person may become entitled under the terms of a plan; often refers specifically to the normal pension provided by the plan formula.

BENEFIT FORMULA - Provision in a pension plan for calculating a member's defined benefit according to years of service, earnings (career or final average fixed dollar amount, etc. (See: Flat Benefit; Career Average Benefit; Final Average Benefit; see also: Defined Contribution Plan.)

BEST EARNINGS FORMULA - A defined benefit formula which applies the unit of benefit credited for each year of service to the member's average earnings for a specified period of highest earnings (e.g., best five of the last ten years of service). See also: Final Average Formula; Final Earnings Formula.

BRIDGE PENSIONS - See: Bridging Supplement.

BRIDGING SUPPLEMENT - A supplemental benefit payable in addition to regular benefits under a pension plan to an employee who retires before becoming eligible for government benefits, but ceasing when OAS or CPP/QPP benefits are payable (or offset by those benefits).

CPI - Consumer Price Index.

CPP - Canada Pension Plan.

C/QPP - Canada/Quebec Pension Plan.

CAPSA - The Association of Pension Supervisory Authorities.

CAREER AVERAGE FORMULA - A defined benefit formula which applies the unit of benefit to earnings of the member in each year of service, and not to final or final average earnings.

CARRIER - General term used to refer to an insurance company, trust company or other financial institution with responsibility for some or all functions under a pension plan.

CASH WITHDRAWAL - A return of personal pension contributions to a member whose employment is terminated.

CHILD-REARING DROP-OUT - Provision in Quebec Pension Plan (and Canada Pension Plan, subject to approval of provinces) under which allowance is made for months in which no (or low) contributions were made while the contributor was raising children.

COFIRENTES+ - Pension Review Committee established by the Government of Quebec; report released March 14, 1978. (Comité d'étude sur le financement du Régime de rentes du Québec et sur les régimes supplementaires de rentes.)

COMMUTED VALUE - Amount of an immediate lump-sum payment estimated to be equal in value to a future series of payments. See also: Present Value.

COMPOUND INTEREST - Interest credited to the investor at a specified rate and on specified dates, and added to the principal for the purpose of subsequent interest calculations.

COMPULSORY PLAN - A pension plan which eligible employees must join as a condition of employment.

COMPULSORY RETIREMENT - Provision in a pension plan, collective agreement or employer's rules requiring that employee must retire at a certain age or under other specified conditions.

CONTINUOUS SERVICE - Period during which an employee is continuously employed by the same employer; may be defined in a pension plan (or by law) so as to include certain periods of absence, and service with an associated or predecessor employer. To be distinguished from Credited Service.

CONTRIBUTION INTEGRATION - Provision for reducing the required contributions to a pension plan by contributions prescribed in the Canada Pension Plan (or QPP). To be distinguished from treatment of contributions in Step-Rate Integration.

CONTRIBUTORY PLAN - A pension plan which requires the employee to make contributions by payroll deduction in order to qualify for benefits under the plan.

COST CERTIFICATE - The certificate of an actuary, based on an actuarial valuation, setting out costs and contributions required under an emloyment pension plan. Under pension benefits legislation, a cost certificate must be filed when a plan is established and at least every three years thereafter, and when the plan is amended.

CREDITED SERVICE - Periods of employment counted in calculating amount of pension; may also be a basis for qualifying for a particular type of benefit. See also: Continuous Service.

CREDIT SPLITTING - See: Division of Pension Credits (CPP).

CURRENT SERVICE - Period of service of an employee after becoming a member of a pension plan. Current service cost usually refers to the cost of benefits credited to members of a plan in a given year. See also: Past Service, Unfunded Liability.

DEATH BENEFIT - A lump sum (usually), payable from a pension plan to the beneficiary or estate of a member who dies before retirement. May refer to a payment on death after retirement. See also: Survivor Benefit; Guaranteed Annuity; Joint and Survivor Annuity.

DEFERRED PROFIT SHARING PLAN (DPSP) - Type of profit sharing plan defined in the Income Tax Act, often used as a defined contribution pension plan. Employee contributions are not deductible from income for tax purposes. See also: Profit Sharing Pension Plan; Employees Profit Sharing Plan.

DEFERRED RETIREMENT - See: Postponed Retirement.

DEFERRED VESTING PENSION (ANNUITY) - A specified pension determined at the time of termination of employment or termination of a plan but not payable until some later date, usually normal retirement age. (See: Vesting).

DEFINED BENEFIT PLAN - A plan which defines the pension to be provided (based on service, average earnings, etc.) but not the total contributions. If plan is contributory, the rate of employee contributions may be specified, with the employer paying the balance of cost. To be distinguished from defined contribution plan.

DEFINED CONTRIBUTION (MONEY-PURCHASE) PLAN - Plan which defines contributions to be made by employer and employees, but not the benefit formula. Accumulated contributions and interest are used to purchase an annuity for the member. To be distinguished from defined benefit plan.

DEMOGRANT - A term used by some civil servants and social scientists to describe a payment made to all without the need to make a contribution to same.

DEMOGRAPHIC PROJECTION - An estimate of the future size and composition of the population, based on past and current census data and assumptions as to birth and death rates, immigration, etc.

DEPENDENCY RATIO - A demographic expression of the economic relationship of the population outside the labour force to those in the labour force in a given year. Term may refer to all who are inactive (in the economic sense) or just those considered to have retired.

DEPENDENT CHILD'S BENEFIT - Under the Canada Pension Plan (or QPP), a monthly amount payable to each dependent child of a disability pensioner or deceased contributor.

DEPOSIT ADMINISTRATION - A contract with an insurance company to administer a pension plan, but with the employer responsible for solvency until funds are used to purchase annuities, usually at the time of retirement. (See also: Insured Plan.)

DISABILITY PENSION - Pension payable to an employee permanently incapacitated due to physical or mental disability.

DISCOUNTED COST - Present value of benefits payable in the future, taking into account estimates of future investment yield and the probability that plan members will live and remain in the plan long enough to qualify for payment of benefits.

DISPOSABLE INCOME - Generally, a person's income from all sources, minus income taxes.

DIVISION OF PENSION CREDITS - Also known as "credit splitting", a provision in the Canada Pension Plan (and QPP) whereby one spouse, on dissolution of marriage, may obtain an equal division of pension credits earned by one or both partners during the period of marriage.

DROP-OUT MONTHS - Under the Canada Pension Plan, certain low earning months which are not counted in calculating average contributory earnings on which the contributor's pension is based.

DUES-PAID PLAN - Pensions provided for members of a trade union, financed entirely by regular dues payments, without participation by employers.

EARLY RETIREMENT - Provision in a pension plan for retirement earlier than the normal pension age. The amount of pension credited under the plan formula may be reduced according to the member's attained age; or an unreduced pension may be payable if a specified service condition (e.g., 30 years) has been met. (See also: Special Retirement.)

EARNINGS - A person's money income from employment or self-employment; usually excludes such forms of income as rents or bond interest. In some pension plans, certain bonuses, sick pay, etc., may be excluded in calculating benefits.

EARNINGS CEILING - See: Year's Maximum Pensionable Earnings.

EARNINGS-RELATED PLAN - Any plan with a benefit formula based on earnings (as opposed to a flat benefit plan). Includes career average and final average plans.

EARNINGS TEST - A form of retirement test in which eligibility for a specified pension or supplement is determined on the basis of a person's earnings during a certain period.

ELIGIBILITY REQUIREMENT - A condition such as age or length of service that must be met before an employee is permitted or required to join a pension plan. See also: Dues-Paid Plan.

EMPLOYEE-PAY-ALL PLAN - Any pension or retirement savings plan that is organized for or by a group of employees but is not financed by an employer. See also: Dues-Paid Plan.

EMPLOYEES PROFIT SHARING PLAN (EPSP) - A plan, defined in the Income Tax Act, under which employer contributions must be declared as income by the employee, and employee contributions are not deductible. Benefit payments out of the fund are generally tax free. See also: Deferred Profit Sharing Plan; Profit Sharing Pension Plan.

EMPLOYMENT PENSION PLAN - A pension plan offered by an employer or supported by a group of employers for the benefit of employees. As used in this report, the term includes plans covering employees of governments and public agencies but does not include the Canada Pension Plan or other public programs.

ENTRY AGE NORMAL - A costing method used in arriving at a level premium cost for a group. It bases costs on the average career of employees from an assumed average age of entry into the plan to normal retirement age. (See: Level Premium, Single Premium.)

EXCESS EARNINGS - In discussion of inflation, earnings from investments of a pension fund in excess of an assumed or expected rate of return.

EX GRATIA ADJUSTMENT OR PAYMENT - Synonymous with "AD Hoc Adjustment". That which is done beyond a legal requirement.

EXPERIENCE DEFICIENCY - An unfunded liability, revealed by an actuarial review of a pension plan, resulting from a difference between actual experience (investment earnings, salary levels, etc.) and assumptions made at the time of a previous valuation.

FINAL AVERAGE (EARNINGS) FORMULA - A defined benefit formula which applies the unit of benefit credited for each year of service to the member's average earnings for a specified number of years just before retirement. See also: Final Earnings Formula; Best Earnings Formula.

FINAL EARNINGS FORMULA - A defined benefit formula which applies the unit of benefit credited for each year of service to the member's final salary rate or annual earnings immediately before retirement. See also: Final Average Formula; Best Earnings Formula.

FINAL PAY PLAN - Term commonly used for any pension plan whose benefits are based on earnings in a member's last years of service. See: Final Average Formula; Final Earnings Formula; Best Earnings Formula.

FLAT BENEFIT FORMULA - A defined benefit formula which specifies a dollar amount of pension to be credited for each year of service. Term should be distinguished from flat rate pension.

FLAT RATE PENSION - A defined benefit expressed as dollar amount of monthly pension, not related to service or earnings, but paid on retirement after meeting certain qualifying conditions. See for example, Old Age Security.

FULLY FUNDED - Term describing a plan which, at a given time, has sufficient assets to provide for all pensions and other benefits in respect of service up to that date.

FUNDED RATIO - Ratio of the assets of a pension plan to its liabilities.

FUNDING - Systematic payments into a fund which, with investment earnings, are expected to provide for all pensions and other benefits as they become payable. See: Fully Funded; Provisionally Funded; Terminal Funding.

FUTURE SERVICE BENEFIT - Term used to refer to a current service benefit formula that differs from that for past service. See also: Current Service; Past Service.

GIS - Guaranteed Income Supplement.

GAINS - See: Guaranteed Annual Income System.

GOING-CONCERN BASIS - Refers to the assumption, when making an actuarial valuation, that the pension plan will continue in operation indefinitely.

GOVERNMENT PROGRAM - Any legislative program under which benefits (pensions, income supplements, etc.) are provided by a government in its role as government rather than its role as an employer; e.g., Old Age Security, Canada Pension Plan, Guaranteed Income Supplement.

GROUP ANNUITY - A contract under which an insurance company agrees to provide retirement pensions to members of a group.

GUARANTEED ANNUAL INCOME SYSTEM (GAINS) - An Ontario government program providing monthly income supplements to certain needy residents, based on a guaranteed amount of annual total income. "GAINS-A" benefits apply to those aged 65 and over; "GAINS-D" benefits are for the blind and disabled.

GUARANTEED ANNUITY - An annuity which will be paid for the lifetime of a person, but in any event for a minimum period; e.g., if annuity is guaranteed for five years and the annuitant dies after three years, payments will be continued to a beneficiary or the estate for two years. See also: Survivor Benefit.

GUARANTEED INCOME SUPPLEMENT (GIS) - A monthly payment under the Federal Old Age Security Act to needy recipients of the OAS pension, based on a guaranteed minimum income amount. See: Old Age Security; Guaranteed Annual Income System (GAINS); Spouse's Allowance.

HALEY COMMISSION - The Royal Commission on the Status of Pensions in Ontario of which the Chairman was Donna J. Haley, Q.C.

IMMURING - Synonymous with locking-in (not included in the Haley Report).

INCOME (PERSONAL) - Generally, all monies received by or credited to a person, may be defined to include receipt of certain goods or services, as well as some forms of income may be excluded; or certain deductions may be allowed in computing net income.

INCOME SUPPLEMENT - A regular payment made to a person usually on the basis of need or other special circumstances, in addition to other income such as earnings or pensions. See: Guaranteed Income Supplement; Guaranteed Annual Income System (GAINS); Spouse's Allowance.

INCOME TEST - method by which the income of a person or family is taken into account in determining eligibility for (or amount of) a payment under a government program. See: Guaranteed Income Supplement; Guaranteed Annual Income System (GAINS); Spouse's Allowance.

INDEXING - Provision for periodically adjusting a benefit amount (usually after retirement) according to a formula based on a recognized index of price or wage levels, e.g., the Consumer Price Index. To be distinguished from ad hoc adjustment.

INDIVIDUIAL ANNUITY - Annuity purchased for an individual and held in trust by the employer until the person's retirement. Plan may be referred to as a pension trust.

INDUSTRIAL COMPOSITE WAGE - See: Average Industrial Wage.

INITIAL UNFUNDED LIABILITY - See: Unfunded Liability.

INSURED PENSION PLAN - A plan in which all benefits are purchased from and guaranteed by an insurance company as contributions are received.

INTEGRATION - Provision in a pension plan which relates plan contributions and/or benefits to those of a government pension program, e.g., Canada Pension Plan. Not to be confused with Level income option. See also: Contribution Integration; Step-Rate Integration; Offset Integration; Bridging Supplement.

INVESTMENT RETURN (YIELD) - Earnings of a pension fund including interest on fixed income securities (bonds, mortgages, etc.), dividends, capital gains, etc.

JOINT ADMINISTRATION - Provision for a union-management committee or board to assume supervisory functions relating to a pension plan. May include provisions for final and binding settlement of disputes.

JOINT AND SURVIVOR ANNUITY - An annuity payable until the death of the retired employee, and continuing thereafter to the surviving widow or widower until that person's death. Commonly provided as an option at the time of retirement; may be available as a level amount or with reduction when one annuitant dies. See also: Survivor Benefits.

LIRA - Locked-in Retirement Account.

LEVEL INCOME OPTION - Also referred to as a "notched" option: provision for employee, at time of retirement, to elect an increased pension, subject to a reduction by a specified amount when the retiree becomes eligible for pension under a government program. To be distinguished from integration.

LEVEL PREMIUM FUNDING - Funding method in which equal annual payments, per employee or a percentage of payroll, are contributed to a pension fund over the estimated working life of employees in a pension plan to fund all benefits under the plan. To be distinguished from single premium funding.

LIFE EXPECTANCY - Number of years a person of given sex and age is expected to live, based on statistics of mortality. See: Mortality Table.

LOADING - An amount added to the estimated cost of a pension plan to provide for expenses of a variable or minor nature; e.g., special retirement pensions, trustee fees.

LOCKING-IN - Requirement under legislation that pension contributions made after a certain date cannot be withdrawn or otherwise forfeited if the employee on termination of employment has attained a certain age or has completed a certain period of service or plan membership. See: Vesting.

MANDATORY PENSION PLAN - An employment pension plan which employers are required by law to establish and maintain for their employees. See also: Provincial Universal Retirement System (PURS).

MANDATORY RETIREMENT - See: Compulsory Retirement.

MAXIMUM PENSIONABLE EARNINGS - See: Year's Maximum Pensionable Earnings (YMPE).

MEANS TEST - Method by which a person's assets as well as income are taken into account in determining eligibility for or amount of payment under a government program. (See: Old Age Pensions.)

MINIMUM WAGE - Lowest rate of pay an employer may pay to an employee according to applicable minimum wage legislation (provincial or federal).

MONEY-PURCHASE PLAN - See: Defined Contribution Plan.

MORBIDITY RATES - Statistics showing the incidence of specific physical and mental ailments in large groups, by age, sex, occupation, etc.

MORTALITY TABLE - A table showing expected rates of death at various ages for people born in various periods. Used by actuaries to arrive at mortality assumptions when estimating the cost of pensions for a group. Term unisex is used when mortality estimates for males and females are combined in single table.

MULTI-EMPLOYER PLAN - A pension plan covering employees of more than one employer, usually by agreement with a union or group of unions.

NSPBA - Nova Scotia Pension Benefits Act.

NEEDS TEST - Method of assessing a person's or family's expenditure requirements (shelter, food, fuel, etc.) in relation to other income or means, to determine amount of income support to be provided under a government program (e.g., in most provincial family benefit programs). See also: Income Test; Means Test.

NET REPLACEMENT RATIO - Measurement of adequacy of retirement income by relating it to income immediately before retirement, taking into account income taxes, tax credits, etc.

NON-CONTRIBUTORY PLAN - A pension plan in which all required contributions are made by the employer.

NON-PENSION BENEFIT - Any benefit or privilege provided by governments or private organizations to retired persons; e.g. employer-paid life insurance; free prescription drugs; reduced fares for transportation; subsidized housing.

NORMAL COST - Amount of annual contribution required to pay for the current service cost of a pension plan. Term usually refers to a level premium, based on a "normal" age assumption (e.g., entry age normal).

NORMAL FORM OF BENEFIT - Amount and other features of the annuity (pension) payable on retirement unless the plan member elects an optional form of benefit.

NORMAL PENSION - Amount of pension, according to the benefit formula, to which an employee is or would be entitled on reaching normal retirement age, based on earnings and/or service. See also: Benefit Formula; Early Retirement.

NORMAL RETIREMENT AGE - The age specified in a pension plan at which employees are expected to retire; may be the earliest age at which an unreduced pension is payable. See also: Early Retirement; Normal Pension.

OAS - Old Age Security.

OCCUPATIONAL PENSION PLAN - A pension plan offered by an employer or supported by a group of employers for the benefit of employees. As used throughout this Report, the term includes pension plans covering employees or governments and public agencies, but does not include the Canada Pension Plan or other public programs. See also: Private Pension Plans and Employment Pension Plans.

OFFSET - Generally, the amount of one type of benefit used to reduced the amount of another benefit payable to a person, e.g., a disability pension where disability insurance benefits are provided by the same employer. For reference to government pension programs. See: Offset Integration.

OFFSET INTEGRATION - Provision in a pension plan for directly reducing a plan benefit by all or a portion of pensions payable to the individual from a government program. See also: Step-Rate Integration; Contribution Integration.

OLD AGE PENSIONS - Usually refers to pensions formerly paid under a federal statute to aged residents who could qualify under a means test. (Program replaced in 1952 by the Old Age Security Act).

OLD AGE SECURITY (OAS) - Federal program providing a universal, flat rate pension to all residents age 65 and over, regardless of need; also provides income-tested supplements: See: Guaranteed Income Supplement, Spouse's Allowance.

OMNIRENTE - An annuity or pension paid by public authority to all, regardless of need, who qualify for same by having attained a certain age and having lived in the jurisdiction for a qualifying period as is the case in Old Age Security.

OPTIONAL FORM OF BENEFIT - Form of annuity which a plan member may elect on retirement, differing from the normal form of benefit in amount and other conditions but of actuarially equivalent value. See also: Guaranteed Annuity; Joint and Survivor Annuity; Straight Life Annuity; Level Income Option; Participating Annuity; Variable Annuity.

PSSF - Public Service Superannuation Fund.

PARTICIPATING ANNUITY - A form of annuity in which the contractual amount of regular payments may be increased to reflect investment returns that are higher than originally assumed. (To be distinguished from Variable Annuity).

PAST SERVICE - Period of service of an employee before becoming a member of a pension plan. Term may be used to define certain benefits that differ from those for current service (future service). See also: Current Service; Future Service; Unfunded Liability.

PAY-AS-YOU-GO PLAN - Term used for benefits that are not funded except as and when they are paid to individuals; i.e., payment is made from current revenue or other sources outside the plan as such.

PENSION - Generally, any regular periodic payment to a person who has retired from the service of an employer or has met certain age or other conditions for payments under a government pension program. See also: Annuity.

PENSION FORMULA - See: Benefit Formula.

PENSIONABLE EARNINGS - Defined portion of an individual's total earnings, used in calculating pension entitlement (e.g., excluding certain bonuses). See also: Year's Maximum Pensionable Earnings (YMPE) - term used in Canada Pension Plan.

PENSION BENEFITS LEGISLATION - Laws and regulations under which employment pension plans must be registered and meet prescribed standards relating to vesting, solvency, investments, etc. In Ontario, the Pension Benefits Act.

PENSION BOARD (COMMITTEE) - Group of persons designated according to the terms of a pension plan to oversee various administrative functions. Members may be trustees of the plan.

PENSION COMMISSION OF ONTARIO - Commission responsible for administering the Pension Benefits Act.

PENSION PLAN - A plan organized and administered to provide a regular income for the lifetime of retired members; other benefits that may be provided include payments on permanent disability, death, etc. See also: Annuity.

PENSION POLICY - The practise established by a sponsor of a private or employment pension plan whereby benefits over and above those provided for in the plan are paid on a gratuitous basis from external funds.

PENSION TRUST - See: Individual Annuity.

PLAN TERMINATION - Discontinuance of an employment pension plan, voluntary or involuntary (e.g., as in bankruptcy); wind-up procedure regulated by pension benefits legislation. See also: Priorities.

POOLED FUND - Funds of two or more pension plans, held by a financial institution and combined for investment purposes in a single fund, each plan sharing rateably in the net income from investments.

POOLING - In pension plans, term used to describe any method by which certain risks or costs are shared by all members of a group, and certain group advantages are gained. (Term may also refer to a method of funds investment; See: Pooled Fund).

PORTABILITY - Extent to which an individual is provided on retirement with pension income which recognizes all periods of employment with various employers. Also, can be defined as the ability to transfer pension credits from one plan to another. See also: Vesting.

POSTPONED (LATE) RETIREMENT - Retirement of a member later than the time prescribed for normal retirement.

PRESENT VALUE - Amount of money which, if invested today at a given rate of compounded interest would provide a defined benefit commencing at a specified future date.

PRIORITIES (PLAN TERMINATION) - A set of rules, in an employment pension plan or legislation, under which the assets of a plan that is discontinued are allocated among members and beneficiaries to provide as far as possible for all accrued benefits.

PRIVATE PENSION PLAN - See: Employment Pension Plan.

PRIVATE SECTOR PLAN - An employment pension plan offered by an employer or by employers and unions (multi-employer plan) in the private sector.

PROFIT SHARING PENSION PLAN (PSPP) - Type of plan defined in the Income Tax Act: money-purchase, with employer's contribution expressed as a share of profits but subject to a minimum annual amount equal to one percent of member's earnings. See also: Defined Contribution Plan; Deferred Profit Sharing Plan; Employees Profit Sharing Plan.

PROVINCIAL UNIVERSAL RETIREMENT SYSTEM (PURS) - Mandatory pension plan to be provided by all employers, as recommended in the Haley Report (Volume II).

PROVISIONALLY FUNDED - In pension benefits legislation, term used to describe a pension plan that is not fully funded but is "solvent" - i.e., current service costs are being met year by year, and special payments are being made to amortize all unfunded liabilities.

PUBLIC PENSION PROGRAM (PLAN) - Also referred to as "government program." A legislative program providing pension benefits from the government in its role as a government rather than its role as an employer; e.g., Old Age Security, Canada Pension Plan. To be distinguished from Public Sector Plan.

PUBLIC SECTOR PLAN - An employment pension plan offered by an employer in the public sector, covering civil servants, teachers, municipal employees, etc. (As used in Volumes VI and VII, term refers to such plans in Ontario only). Not to be confused with Public Pension Program.

RRIF - Registered Retirement Income Fund.

RRSP - Registered Retirement Savings Plan.

REGISTERED PENSION PLAN - An employment pension plan accepted for registration for tax purposes under the Income Tax Act, and/or for registration under applicable pension benefits legislation.

REGISTERED RETIREMENT INCOME FUND (RRIF) - Form of investment vehicle permitted under the Income Tax Act for funds an individual has accumulated in a Registered Retirement Savings Plan that has "matured."

REGISTERED RETIREMENT SAVINGS PLAN (RRSP) - A personal retirement savings plan, defined in the Income Tax Act, under which tax is deferred on contributions and investment income until received as annuity payments, or otherwise withdrawn from the plan.

REMARRIAGE CLAUSE - Provision for a surviving spouse's pension to be discontinued if he or she remarries; may include provision for renewal of payments if that marriage is later terminated.

REPLACEMENT INCOME - Regular payments, e.g., a pension from a program whose purpose is to replace income which the individual previously obtained from employment. See: Net Replacement Ratio.

RETIRED LIVES FUND - In a trusteed pension plan, a segregated group of assets representing the value of all benefits for those who have retired under the plan; excess earnings of these assets may be available to increase the amounts of monthly pension payable. See also: Participating Annuity.

RETIREMENT - Withdrawal from the active work force because of age; may also be used in the sense of permanent withdrawal from the labour force for any reason, including disability.

RETIREMENT INCOME - Income from pensions and other sources, to which a retired person is entitled. Term may include both private and public pension payments, income from personal savings, government income supplements, and imputed income (e.g., free health insurance premiums).

RETIREMENT TEST - Under a government program or employment pension plan, a method of determining that a person has actually left the labour force and so qualifies for a specified pension or supplement.

RETURN OF CONTRIBUTIONS - See: Cash Withdrawal.

SALARY SCALE - In pension costing, an estimate of future increases in wages and salaries of plan members whose benefits are based on earnings.

SEGREGATED FUND - Assets of a pension plan held by an insurance company for investment management only; funds are segregated from assets of the insurance company, and principal and interest are not guaranteed. To be distinguished from insured pension plan and deposit administration. See also: Trusteed Pension Plan.

SELF-ADMINISTERED PLAN - See: Trusteed Pension Plan.

SINGLE PREMIUM FUNDING - Funding method in which current service cost is the present value of benefits provided under the plan for service during the current year. To be distinguished from Level premium funding. See also: Current Service Cost.

SOCIAL SECURITY - Term used to refer to a system of government programs providing for income security of individuals, especially the aged, disabled, etc. In Canada, the term as applied to the elderly usually includes Old Age Security, income supplements (federal and provincial), the Canada and Quebec Pension Plans; may include other income support programs.

SOLVENCY - In a pension plan, the ability of the plan to meet its present and future obligations; the adequacy of provisions for funding.

SPA - Spouse's Allowance.

SPECIAL RETIREMENT - Term used in some pension plans for conditions under which an employee may retire, usually with a normal pension, in certain exceptional circumstances, e.g., job redundancy. Term may be used in the broader sense of any provision for retirement on a normal (unreduced) pension earlier than normal retirement age.

SPLIT FUNDING - Practice whereby a non-insured pension plan purchases an annuity (i.e., an insured benefit) for each member at the time of retirement, instead of making monthly payments directly from the pension fund.

SPOUSE'S ALLOWANCE - Under the Old Age Security Act, a monthly payment, based on family income, payable to the spouse aged 60 to 65 of an OAS pensioner. See also: Old Age Security; Guaranteed Income Supplement; Guaranteed Annual Income System (GAINS); Income test.

STACKING - Term sometimes used for a pension design in which there is no integration; that is, plan contributions and benefits are not related to those in any government pension program. See: Integration.

STEP-RATE INTEGRATION - Provision in a pension plan for different rates of contributions and benefit accrual in respect of an employee's earnings below and above the YMPE (earnings ceiling) of the Canada/Quebec Pension Plan.

STRAIGHT LIFE ANNUITY - An annuity which is payable only during the lifetime of the annuitant; i.e., is not guaranteed to be paid for a minimum period and no part of which is payable to another person after the annuitant's death. See also: Optional Form of Benefit.

SURVIVING SPOUSE'S PENSION - A monthly benefit payable under a pension plan to the surviving spouse of a deceased employee or pensioner; usually refers to a benefit other than payments under a guaranteed annuity or joint and survivor annuity.

SURVIVOR BENEFIT - Generally, any benefit payable under a pension plan to the surviving spouse or dependent of a plan member who dies before or after retirement. See also: Surviving Spouse's Pension; Guaranteed Annuity; Joint and Survivor Annuity; Death Benefit.

TAX-BACK - Term commonly used for a reduction in amount of a person's income supplement because of income (of the individual or family) from other sources.

TAX CREDIT - Provision for a reduction of income tax payable (not a deduction from taxable income) by an amount of other taxes payable or a portion of housing or other expenses of the taxpayer; e.g., Ontario Tax Credits. Tax credit is said to be "refundable" if it is payable to a person with no taxable income.

TAX-DEDUCTIBLE - Refers to a type or amount of income which may be deducted from a person's total income in computing net or taxable income; e.g., registered pension plan contributions; pension income (up to$1,000 per year). See also: Tax Credit.

TAX DEFERRAL - Provision in the Income Tax Act whereby certain pension and similar contributions are tax-deductible and employer contributions and investment income are not included in a member's current taxable income; but benefit payments are considered income for tax purposes in the year in which they are received.

TAX SHELTER - Generally, any saving arrangement entitled to tax deferral and therefore involving the probability that payments when received by the individual will be taxable at a lower rate than would apply in the year the income was first received or credited.

TERM CERTAIN ANNUITY - See Guaranteed Annuity.

TERMINAL FUNDING - Method of funding whereby monies required to provide a member's pension are paid into the fund or used to purchase an annuity only at the time of retirement, and not regularly over the period of employment. (This method is not permitted under pension benefits legislation.)

TERMINATION OF EMPLOYMENT - Severance of the employment relationship for any reason other than death or retirement.

TERMINATION RATES - In pension costing, the observed or estimated rate of termination of employment for reasons other than death and retirement.

TRUST AGREEMENT (OR DEED) - An agreement setting out the duties and responsibilities of a trustee or trustees under a pension plan.

TRUSTEED PENSION PLAN - An employment pension plan whose funds are held and invested by trustees, and the plan sponsor is responsible for making sufficient contributions to maintain the plan's solvency. Benefits are not insured except to the extent annuities are purchased. See: Split Funding).

TURNOVER - See: Termination of Employment.

TURNOVER RATES - See: Termination Rates.

UNDERWRITER - Anyone who undertakes to provide future payments (e.g., pensions) in certain specified circumstances, in return for premiums paid by or on behalf of those who may become entitled to benefits; usually refers to an insurance company. See: Insured Pension Plan.

UNFUNDED LIABILITY (UNFUNDED ACTUARIAL LIABILITY - Generally, any amount by which the assets of a pension plan are less than its liabilities. An initial unfunded liability exists when benefits are created in respect of prior service (e.g.) and not provided for in current service contributions. See also: Experience Deficiency; Funding.

UNION PENSION PLAN - Plan sponsored by a trade union; usually refers to a dues-paid plan (see definition) but may mean a plan financed by employer contributions. See: Multi-Employer Plan).

UNISEX MORTALITY TABLE - See: Mortality Table.

UNIT BENEFIT FORMULA - Any defined benefit formula providing a benefit credit expressed as a percentage of a member's earnings for each year of service. (To be distinguished from flat benefit formula). See: Best Earnings Formula; Career Average Formula; Final Average Formula; Final Earnings Formula.

UPDATING (BENEFITS) - Term applied to the occasional review and increase of accrued benefits to reflect rising wage levels where the plan does not provide for automatic improvement as in a final average formula.

VIRA - Variable Individual Retirement Account.

VALUATION - See: Actuarial Valuation.

VARIABLE ANNUITY - A pension whose amount varies according to the market value of the fund, usually invested in common stocks. In theory, this feature may compensate the retiree for the effects of inflation.

VARIABLE INDIVIDUAL RETIREMENT ACCOUNT (VIRA) - An additional option for the conversion of an RRSP to a retirement income instrument.

VESTING - The right of an employee, on termination of employment, to part or all of his or her accrued pension; usually requires locking-in of employee's contributions. Vesting is usually in the form of a deferred annuity commencing at retirement age. Vesting is said to be contingent or conditional if employee has the option of cash withdrawal. Statutory vesting occurs when employee meets the age and/or service conditions set out in pension benefits legislation and applies to benefits accrued after a specified date. Cash vesting is a return of both employer and employee contributions if not restricted by statutory vesting.

VOLUNTARY ADDITIONAL CONTRIBUTIONS - See: Additional Voluntary Contributions.

WCB - Workers' Compensation Board.

WAGE INDEXING - A method of indexing based on movements in average wages and salaries.

WAITING PERIOD - Period of service with an employer before an employee fulfills eligibility requirements for membership in a pension plan.

WIDOW'S PENSION - See: Surviving Spouse's Pension.

WINDING-UP (OR WIND-UP) - See: Plan Termination.

WITHDRAWAL RATES - See: Termination Rates.

YBE - Year's Basic Exemption.

YMPE - Year's Maximum Pensionable Earnings.

YEAR'S MAXIMUM PENSIONABLE EARNINGS (YMPE) - Term used in Canada Pension Plan, often referred to as the earnings ceiling: the maximum amount of annual earnings from employment on which CPP contributions and benefits are calculated. YMPE is changed each year according to a formula based on average wage levels.

APPENDIX I

A summary of a Province-wide series of interviews of pensioners conducted in October, November and December, 1982 for the Nova Scotia Royal Commission on Pensions.

The Nova Scotia Royal Commission on Pensions, in the course of gathering information on pensions and pensioners in the Province, heard many submissions by representatives of interested organizations and concerned citizens. The Commission had gathered a vast amount of material on pensions, the laws relating to pensions and the results of other studies.

Several special surveys were conducted and valuable information gained but, with all of this background material, there was no significant input from the pensioners themselves. This was regarded as a serious omission and methods of obtaining more precise information were considered.

General information such as the total and average amounts of retirement income from public sources was obtainable from government publications, broken down by age, sex and the percentage of maximum benefits received; however, more specific information was deemed to be necessary to better measure the retirement income of Nova Scotia's pensioners. Such additional information fell into the following categories:

1. Other sources of income, if any.
2. Type of living accomodation.
3. Number of seniors per household.
4. Degree of satisfaction with retirement income and ability to provide for basic needs.
5. Other problems encountered in retirement.

A survey conducted through the Canada Post Corporation was rejected as being too impersonal. The decision was made to conduct a series of interviews of the elderly and a comprehensive questionnaire was prepared. The interviewers were selected on the basis of assumed abilities to secure the confidence of the respondents by convincing those questioned that their identities would not be disclosed and confidentiality maintained.

The interviews conducted late in 1982 resulted in the gathering of data on 989 persons or just about one percent of the number of Nova Scotians receiving the Old Age Assistance, Canada Pension Plan payments, the Guaranteed Income Supplement, or Spousal Allowances, as reported through the monthly bulletins of the Department of Health and Welfare Canada.

The interviewers were well received and very few declined to participate in the survey. The interviews were conducted in every county in Nova Scotia and greatly assisted in supplementing the information gathered from secondary sources. The Commission thanks those who took part in the interviews and who disclosed information on their retirement incomes, as well as freely relating their experiences living in Nova Scotia on public pensions and such other income as they were able to reserve for their retirement.

The interview results cannot be considered to be a complete reflection of the living conditions of the elderly, but the survey did show a remarkable similarity to the information provided through secondary sources, including census results, taxation data, information provided through Statistics Canada, provincial government sources and that contained in submissions to the Commission at the public hearings.

The mainland results may show a disproportionate number of mobile respondents because much of the interviewing took place in shopping malls and other gathering places, and in some of the rural areas, at the local post office. Visits were made to senior citizen housing complexes and to institutional care facilities. The housebound or confined senior citizens may be under-represented because of the sampling places selected.

The four Cape Breton counties were surveyed more on a house-to-house basis because it was found that, apart from the Sydney region, seniors did not congregate as much in public places as did those on the mainland. On balance, a fairly representative cross-section of the Nova Scotia seniors was obtained during the survey, which covered the months of October, November and December 1982. A copy of the questionnaire form used by the interviewers is included as an appendix to this Report.

Of the 676 interviews encompassing 989 persons, 337 were conducted in shopping malls, 202 in subsidized senior citizen housing units, 54 in private dwellings (principally on Cape Breton Island), 49 in senior citizens' clubs and 34 in nursing homes.

SUMMARY AND CONCLUSIONS

The sample of 65 and older Nova Scotians interviewed through this study was felt to be representative, within the limitations stated, of the population of Nova Scotia's senior citizens. The distribution of several variables were comparable to those of the population data that was available. This gives more credence to the cross classification data gathered (data for which no general figures were available). A summary of the comparable data and deviation from the population of the sample follows.

The distribution of the total survey respondents by sex was 40.2 percent men and 59.8 women, while that of the population was 43.8 percent men and 56.2 percent women.

Age-wise, the respondents were slightly younger than the population as there were lower percentages of both males and females in the 80 years and over categories.

Compared to the population, there were more single and widowed men and fewer married ones in the sample. The percentage of married women was about the same as that of the population but, like the male respondents, there was a higher percentage of widowed women.

The wife was the elder spouse in 16.5 percent of the couples in this sample (269 couples). The median age difference of the respondent husbands and wives was 1 to 3 years, with the husband the elder of the two. The population average of married couples is an age difference of 3 years.

In Nova Scotia, 7 percent of senior citizens live in senior citizens' housing, 5.5 percent are residents of nursing homes, and the remaining 87.5 percent live in other accommodation (mostly an owned or rental dwelling). Of the total survey respondents, 29.1 percent were in subsidized apartments, 3.9 percent lived in nursing homes and 67 percent lived in other accommodation (56.9 percent owned homes, 8.4 percent rented, and 1.7 percent lived in other accommodation such as a convent or a dwelling maintained by their adult children).

The highest percentages of those living in their own homes were 65-69 and 70-74 years of age. Sixty-two percent of the male respondents lived in owned homes. The highest percentage of total female respondents (34.6) lived in senior's housing. The highest percentages of both men and women living in senior's housing fell into the 70-74 and 75-79 year age groups.

More single and widowed respondents lived in senior citizens complexes than owned homes. The highest percentages of women in all age groups lived alone. Overall, 66.9 percent of the female respondents were by themselves. The highest percentage of men in all but the oldest age groups lived with their spouse. The percentage of all male respondents living with their wives was 66.1 percent.

Most of the respondents and spouses working outside their homes held private sector jobs. The highest percentage of both male respondents and male spouses worked in a primary industry (usually fishing or mining).

Over 20 percent of males (respondents and spouses) were self-employed. Only 26.4 percent of male respondents and 16.1 percent of male spouses held public sector jobs.

The majority of female respondents and spouses did not work outside the home. Of those that did, few were self-employed. Higher percentages of women than men worked in both the public and private sectors. Many women held clerical or teaching jobs.

The median age of retirement of both the males and females was in the 61-64 retirement age group. In each of the public and private sectors, more men retired at later ages than women. The spread in percentage points between men and women was the same (16.1) in each sector, indicating that sector of employment probably does affect retirement age differences of men and women.

However, there was a difference between the sexes when asked whether or not they had had their choice of retirement age. A higher percentage of women (55.6) than men (38) stated that they did have a choice. Overall, 43.7 percent of the respondents replied "yes" to this question, while 56.3 percent stated that they did not have a choice.

Sixty-two percent of the males said they had had no choice in retiring. Those who retired at 66 or older were forced to do so by poor health, while most of those retiring at age 65 did so because it was compulsory at that age.

Pension Plan membership was also examined by sector of employment. The majority of respondents (52.6 percent) did not belong to an employer plan; 47.8 percent of males did not, while 61.1 percent of the females did not. Plan membership differed by sector. While only 28 percent of public sector employees did not belong to a plan, 65.5 percent of private sector employees did not or could not join an employer plan. The difference between the two percentages above is quite marked, even when one takes into consideration that there were almost twice as many respondents employed in the private sector as in the public sector. Those who worked in the public sector were more likely to have belonged to a pension plan.

Respondents who belonged to either private or public sector employer plans usually received a retirement benefit from it. A few (8) belonged to a plan and did not receive a pension.

The length of retirement, where applicable, was calculated for the respondents and their spouses. Most of those who worked outside the home had been retired for 15 years or less (73.4 percent). The highest percentage of retirees (32.3) fell into the 6 to 10 year length of retirement category.

CPP retirement benefits were examined by length of retirement of the respondents. Of the 514 respondents and spouses whose length of retirement was known, 341 (66.3 percent) received the CPP. Of those retired 15 years or less, approximately 25 percent did not receive a DPP retirement benefit. It may be that some respondents did not report their

CPP income or did not know it. Conceivably, anyone who contributed to the CPP for at least one year after its inception would receive a benefit at 65. Some of those, especially the more recently retired respondents and spouses, did not receive a CPP pension because they were not yet 65.

Annual incomes of respondents and spouses were examined. Generally, it was found that the older people (80 and over) had the lowest incomes. The majority of women were found in the lower income groups (82.9 percent had incomes below $7,800. per year), while a higher percentage of men were in the higher income groups (47.4 percent, $7,800. per year or more). Men's incomes, however, tended to decrease in the older age categories.

Eleven percent of the spouses had no sources of income. All but one were women, and all were less than 65 years of age. Another 69.2 percent of the spouses had annual incomes below $5,400.

Household incomes were examined by the type of living arrangements of the respondents. Respondents lived: alone, with a spouse or one other senior, with two other seniors, with adult children, or had some other arrangement (convent, dependent children or grandchildren).

Eighty percent of those who lived alone had annual incomes of $9,000. or less. Half of these incomes were below $6,000. per year. Most of those living alone were women.

Seventy percent of those who lived with their spouse or one other senior (26 lived with another senior) had annual household incomes between $9,000. and $15,000., with 62.2 percent of these incomes in the $9,000. to $12,000. range. Only 9 respondents lived with 2 other seniors.

Forty-four respondents (32 females and 12 males) lived in a dwelling maintained, in most cases, by their adult children. Most of these respondents, 77.3 percent, had incomes between $4,800. and $9,000. per year, with a little over half of them in he $4,800. to $6,000. income group.

Respondents were questioned about their sources of income - work-related pensions, Old Age Security programs, widow's pensions, disability benefits, savings and investment.

Of those having work-related pensions, 73.1 percent had a pension that was less than 50 percent of their total income. Women's pension incomes tended to be a lower percentage of their total incomes than men's.

Work-related pensions were examined by sector of employemnt. Public sector employees were found to receive higher pensions; 62.8 percent received a monthly payment of more than $250., while only 23.9 percent of retirees from the private sector did. Both male and female respondents fared better due to public sector employment plans.

The next sources of income examined were from government sources - OAS, GIS, SPA, WVA and Nova Scotia Family Benefits. Women were found to depend on these sources for a higher percentage of their total income than men, as half of them received 85 percent or more of their income from the government (usually OAS/GIS). The median for the men was in a lower category, 50 to 59.9 percent of total income. While 31.4 percent of women received all their income from government sources, only 12.5 percent of the men did.

Comparison tables of the population of OAS, GIS-single rate, and GIS-married rate recipients in June, 1981 were compared to the respondents.

Those respondents receiving GIS at the single rate tended to reflect the population of single-rate recipients. Overall, a higher percentage of respondents than the population were in receipt of this form of GIS payment. More women than men were in receipt of the maximum, indicating that they had little or no other sources of income. On the other hand, men tended to be equally represented through all the percentage of the maximum benefit categories. Not as many respondents, however, were in the higher percentage of the maximum categories as those in the population were, indicating that the survey respondents were a bit better off.

In comparing those respondents in receipt of the GIS-married rate to the population data, it was found that they were slightly worse off. More respondents were in the higher percentage of the maximum categories and, therefore, had less other income.

Seventy-one percent of all respondents received some GIS income, while the population of GIS recipients was slightly over-represented in the survey.

The percentage of those who received no GIS (OAS only) were compared to the population. It was found that the highest percentage of respondents (13.2) was in the 65 to 69 year age group. A slightly higher percentage (15.3) of all OAS recipients in 1981 (June) was also in this age category.

Widow's benefits were the next source of income examined. It was found that 89.2 percent of the widowed respondents were women, 63.6 percent receiving $200. or less in monthly benefits. More younger widows than older ones received a widow's pension.

Most of the widowed women (82.8 percent) lived alone, while another 10.1 percent lived with an adult child. Numbers of widowed men receiving benefits were too small to draw any valid conclusions.

A specific source of widow's income was examined, the CPP survivor's benefit. The total of widowed men and women by length of widowhood (under or over 10 years) was also reported. It was found that 61.9 percent had been widowed 10 years or less. Of these, 30.2 percent received a survivor benefit from CPP, while only 9.3 percent of those widowed for more than 10 years did so. This was expected, however, because this CPP benefit had only been available since 1968. As with the total widow's benefits, recipients of CPP survivor pensions tended to be younger; 46 percent were 65-69, 28.6 percent were 70-74, and 20.6 percent were 75-79. It was concluded that few widows, and fewer widowers, received widow's benefits. Most of those that did, received less than $200. per month.

Sources of non-taxable income were examined. Thirty-six percent of males and 16.2 females had no non-taxable sources indicating that all their income, besides OAS, came from pensions, investments and other non-government sources. Overall, 25.3 percent of the respondents had no non-taxable sources. Higher percentages of female recipients of non-taxable income than male recipients received a greater proportion of their total income from these sources. It was stated earlier that more women than men depended on GIS payments. This particular non-taxable source was probably the greatest influence on the amount of total income not subject to tax.

It was found that those with higher proportions of non-taxable income had lower total incomes. Some male respondents, however, had high proportions of non-taxable income (60 percent or more) and also had higher incomes, indicating sources of non-taxable income other than the GIS (Veterans' Pensions, Workers' Compensation).

Only 85 respondents reported the amounts of investment income they received. Sixty-seven percent of these people received less than 30 percent of their total income from this source. Another 174 respondents (25.7 percent) reported that they had some savings but did not state how much. Many said that there was just enough there to bury them.

Respondents, especially females, relied heavily on government sources of income. Those who had employer pensions usually did not receive enough to make them significantly better off than pensioners who did not. Public sector employees, however, were more likely to have a pension and that pension was more likely to be a higher percentage of income than that received by former private sector employees. Women had the lowest incomes and lowest employemnt pensions. The possibility of being in receipt of an employer pension diminished with increasing age.

Most widows had little or no widow's pensions and were living alone. Thirty percent of those widowed 10 years or less received a CPP survivor's benefit. Only 12 widowers received any widow's benefits. The amount of the majority of survivor benefit payments was less than $200. per month. Investment income was not present or reported for most of the respondents. Many people saved, but disability or widowhood totally depleted these savings.

Respondents were questioned about two programs available to those in receipt of the GIS, Special Social Assistance (SSA) and Property Tax Rebate. A high percentage of senior citizen's housing residents (78.7) received SSA, as did slightly lower percentages of homeowners (63.6) and renters (61.7). Most of those reported receiving a payment of

$99. in 1982 (many did not remember the amount they received). Larger percentages of homeowners (12.5) and renters (10) than those of senior's housing residents (2.6) stated that they were unaware of the SSA program.

The Property Tax Rebate program is available only to homeowners who are in receipt of the GIS. This constituted 65.3 percent of the respondents who owned their homes. Of those respondents eligible to receive a rebate, 25.2 percent (of the 65.3, or 16.5 percent of all homeowners) were not aware of the program.

Some counties had a high percentage of homeowners eligible for the rebate (Hants, Kings, Cape Breton, Digby, Queens, Shelburne and Antigonish), indicating poorer homeowners. Other counties had higher percentages of homeowners not in receipt of the GIS (Halifax, Colchester, Inverness and Annapolis).

The range in percentages of homeowners unaware of the program went from 15 percent in Cumberland County to 53.8 percent in Guysborough County. It was concluded that there are regional differences within Nova Scotia as to the need for, and awareness of, the Property Tax Rebate Program.

Respondents were asked to what degree their income satisfied their needs. The majority of respondents, 62.6 percent, said that they were either "satisfied" or "somewhat satisfied" with their incomes. Most of these people's incomes fell in the $5,400. to $7,799. per year range. Most of those respondents who expressed satisfaction and had low incomes were female.

Men, in higher income ranges ($10,200. to $12,599. and $12,600. to $23,999.) expressed satisfaction with their incomes. However, of those men who were "somewhat dissatisfied", 30.4 percent had incomes between $10,200. to $12,599. If they were supporting a spouse, this amount of income was just about at the poverty line.

Overall, of respondents with lower incomes, more women than men were satisfied with their incomes. There was no evidence from the respondents that those with lower incomes are more satisfied than those with higher incomes. Women, especially widows, were very appreciative of what they received. Their attitude was "a little income is better than none". There did not seem to be a relationship between satisfaction with income and type of accommodation.

Most of those who were "somewhat satisfied" or "somewhat dissatisfied" stated that additional monthly income of between $51. to $100. would meet their needs. One-third of the male respondents who were "somewhat satisfied", however, wished to have $151. to $200. more per month.

The comments made by the respondents were categorized and discussed within these categories. Examples of comments made about the present retirement "system" were given.

The comments by respondents gave a valuable insight into their lives and feelings about retirement. The continuum, from positive to negative, of attitudes towards their retirement circumstances is reflected at all income levels. There are those with the lowest incomes who are satisfied with their lot, while, at the same time, some with higher incomes express dissatisfactions. In general, it seems that these people had higher expectations about retirement life. Unforeseen circumstances such as disability, death of a spouse, and high inflation have resulted in a lower than expected standard of living for many of these senior citizens.

Little discretionary income; no money for other than the bare essentials; non-prescription drugs; dental bills and hearing aid costs were cited as heavy draws on retirement income and compelled pensioners to reduce expenditures on other essentials.

SURVEY

______ 1, 2, 3, 4

______ 5, 6,

PERSONAL DATA:

______ 7

(1) Sex: Male______ Female______ (2) Age:______

______ 8

(3) Marital Status: Single______ Married______ Widowed______
Divorced______ Separated______

______ 9

(4) If Married, what is the age of your spouse? ______

______ 10

(5) Where do you live? In a: city______ town______
village______
rural area______
suburb______
district______

______ 11, 12

(6) I live in: my own home ______
a rented house/duplex ______
an apartment ______
a senior citizen apartment ______
a nursing home ______
a rooming house ______
other (please explain) ______________

______ 13

______ 14

(7) I live: alone ______
with my spouse or mate ______
with another older person(s)____ how many______
with my grown-up children ______
other (please explain) ______________

______ 15

WORK:

(8) What was your main occupation before you reached 65?

____

______ 16, 17

(9) a) If married, what was your spouse's main occupation before he/she retired? ______________

______ 18, 19

b) If your spouse is not yet retired, what is his/her present occupation? ______________

______ 20, 21

(10) a) What was your personal gross income in the last year before you retired? ________________ 22, 23,

b) If married, what was your spouse's gross income in the last year that he/she worked? __________ 24, 25

(11) a) Until what age did you work? ______ 26, 27

b) Until what age did your spouse work? ______ 28, 29

(12) Was it your own choice to retire? Yes______ No______ 30

(13) If "no" to above, then why did you retire? ____________

____ 31

(14) During your working years, did you belong to any employer pension plans (include Deferred Profit/Cost Sharing Plans and Company RRSP's)? Yes______ No______ 32

(15) If "yes" to (14), with how many different employers? ________ 33

(16) Of the employer pension plans to which you belong(ed), from how many do you (or will you) receive a retirement pension? ________ 34

INCOME:

(17) In which of the ranges below does your present monthly income fall? Please indicate below your own personal income, your spouse's income (if married), and the income of any other person(s) age 65 or older, with whom you live (roommate). 35, 36

37, 38

39, 40

41, 42

Income Range	You	Spouse	Roommate(s)
$ 250.00 or less			
$ 250.00-$ 349.99			
$ 350.00-$ 449.99			
$ 450.00-$ 549.99			
$ 550.00-$ 649.99			
$ 650.00-$ 749.99			
$ 750.00-$ 849.99			
$ 850.00-$ 949.99			
$ 950.00-$1,049.99			
$1,050.00-$1,999.99			
$2,000.00-$2,999.99			
$3,000.00 or more			

(18) Where does your present monthly income come from? Please indicate on the lines provided below the monthly amounts that you, your spouse, and/or your roommate(s) receive from each source.

	You	Spouse	Roommate
CPP Retirement Benefits	$		
Company Pension Plan (Private Sector)	$		
Union/Association Pensions	$		
Military Service/RCMP Pension	$		
Other Public Service Pension	$		
Old Age Security Pension(s)	$		
Guaranteed Income Supplement(s)	$		
Spouse's Allowance	$		
Nova Scotia Family Benefits	$		
Rental Assistance	$		
Veteran's Pension	$		
Veteran's Disability Pension	$		
Workmen's Compensation Life Pension	$		
Workmen's Comp. Widow's Pension	$		
CPP Disability Benefit	$		
CPP Surviving Spouse's Benefit	$		
Employer's Plan Survivor's Pension	$		
Other Widow(er)'s Pension	$		
RRSP's and other Annuities	$		
Rental Income	$		
Present Employment	$		
Other (Please explain)			

43,44,45,46

47, 48, 49

50, 51, 52

53, 54, 55

56, 57, 58

59, 60, 61

62,63,64,65

(19) What other sources of income do you and your spouse have? Please indicate below the amounts you have, or receive from the following sources:

Special Social Assistance (1982)	$
Property Tax Rebate Program (1982)	$
Savings Account(s) Interest (1981)	$
Return on Investments (1981)	$
Proceeds from sale of home, property or business	$

Other sources: ______

66

67

68

69

70

71

(20) To what degree does your present income meet your needs? Please check the statement below that best describes your satisfaction or dissatisfaction with your income: 72,

Completely satisfied ____________
Satisfied ____________
Somewhat satisfied ____________
Somewhat dissatisfied ____________
Dissatisfied ____________
Very dissatisfied ____________

(21) How much more monthly income would you need in order to be "completely satisfied"? ______________________________ 73

Comments:

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APPENDIX II

Every province in Canada provides some measure of supplementary assistance to the elderly. The following pages set out the programs of the individual provinces.

THE CANADIAN SCENE

(as of June 30th, 1980)

Canadians are living longer and the chances for surviving to old age has increased for all Canadians. For example the 1976 census confirmed that there were over 2 million people in Canada over the age of 65 years. In 1901 only 5.0% of the population was over 65. By 1976 this proportion has risen to 8.7%. It is projected that by the year 2001 between 11% to 13% or 3 to 3 1/2 million of Canada's population will be 65 and over.

There are three main reasons which account for this relatively high growth. First the early 1900's were marked by a high birthrate of about 36.0 per 1,000 population. Secondly between the years 1911 to 1931 there were approximately 2.6 million immigrants entering Canada, most of these people are now over 65 years of age. Thirdly the advancements in medical technology have resulted in increasing average life expectancy, plus improvements in the overall standard of living have contributed to the growing numbers of the elderly in Canada.

An obvious effect of an aging population is that the elderly in society will have to be assisted by a decreasing proportion of younger people.

Many elderly people face increasing disabilities and growing dependence upon others. They rely more heavily on the country's health and welfare services. In most cases the elderly need to adjust to a lower income which will result in a lower standard of living.

The prospect of living alone for many elderly women will be even greater as the elderly population increases, and because they live longer than men.

Most of the elderly live in the three largest provinces those being Ontario, Quebec and British Columbia.

The percentage of Provincial population 65 and over according to the 1976 census are as follows:

Newfoundland	6.6%	Manitoba	10.4%
Prince Edward Island	11.2%	Saskatchewan	11.1%
Nova Scotia	9.7%	Alberta	7.5%
New Brunswick	9.0%	British Columbia	9.8%
Quebec	7.7%	Yukon	2.9%
Ontario	8.9%	Northwest Territories	2.7%

It is interesting to note that only 8.7% of Canada's elderly live in collective dwellings, most of the elderly live in family settings, but more elderly women than men live alone in Canada. As most of the elderly are not in the work force they have lower than average incomes. Most of the income of the elderly is the result of employment income, transfer payments such as Old Age Security, Guaranteed Income Supplement and more recently Spouse's Allowance. A person receiving both Old Age Security and Guaranteed Income Supplement payments in 1976 received a total of $2,780 a year, while couples received $5,304 a year.

The Spouse's Allowance introduced in October 1975 is for giving assistance to those couples of which one is aged between 60 and 64, but living on a single pension. In this category there were 54,194 Spouse's Allowance recipients in 1976.

The percentage of Old Age Security pensioners receiving full and partial Guaranteed Income Supplement from April 1975 to March 1976 is as follows, 24.1% with full Guaranteed Income Supplement, 44.8% without Guaranteed Income Supplement and 31% with partial Guaranteed Income Supplement.

From the 1976 census it was discovered that the elderly are becoming a more significant group numerically in our society. The majority live in the main cities of the largest provinces and they also form a high proportion of the population of smaller towns. Most of them are homeowners and live within a family setting. The elderly, upon retirement, take a large drop in income and it was discovered that on the medical side the major cause of death of the elderly is coronary heart disease. This age group will have a very important impact on economic and social planning in the future.

The Canadian Government operates the following income and related services plans:

1) Canada Pension Plan
2) Old Age Security
3) Guaranteed Income Supplement
4) Spouse's Allownce
5) Extended Spouse's Allowances

BRITISH COLUMBIA

1. INCOME ASSISTANCE

a) Gain For Seniors Aged 60 - 65 (Guaranteed Available Income for the Needy)

This program provides a guaranteed minimum monthly income to senior residents of British Columbia who are not in receipt of Old Age Security or Federal Spouses Allowances. Recipients must have resided in Canada for five years and have assets not exceeding a $2,500 (single persons) or $5,000 (couples). The GAIN for senior's maximum income effective October 1, 1979 can vary between $250 and $305/month for a single person and $470 and $580/month for a couple. The amount paid is dependent on shelter costs. The cost of this program in 1979 was approximately $28 million.

b) GAIN: 65 Years and Over

People age 65 and older who are receiving Federal Old Age Security and Guaranteed Income Supplement payments and related Spouses Allowance payments, receive automatically a supplementary payment by the province on the basis of information received. This is to raise their total income level from all sources to a monthly average of $364.87 for a single person and $351.05 each for a married couple

(December 1979 rates). The cost of this program in 1979 was approximately $27 million.

2. Property Tax Relief

a) Homeowner Grant

This Provincial Grant provides a tax reduction of $280 a year for British Columbia homeowners and those 65 years of age and over may receive an additional $150, for a total grant of $430.

b) Payment Deferral of Property Tax

Senior citizens are offered the opportunity to defer payment of their property taxes and may last until such time as the property is sold and is subject to an 8 percent annual interest charge.

c) The Enabling and Validating Act

This Act permits municipalities to pass a by-law waiving any part of the rate imposed for providing water, sewer or pollution control abatement facilities on senior citizens' property.

3. Rental Assistance and Housing

a) SAFER (Shelter Aid for Elderly Renters)

This rental assistance program provides direct cash assistance to senior citizen renters receiving the Old Age Security to ensure they do not have to spend an unreasonable portion of their income on rent. Monthly SAFER benefits are based on the applicant's income level and the amount of rent paid. This program pays 75 percent of the amount by which the rent exceeds 30 percent of the applicant's total income based on a maximum monthly rent of $225 for a couple and $205 for an individual. The province's expenditure for SAFER in 1979 was $5.5 million.

b) Rental Housing

The Provincial Rental Housing Program provides assistance in making rental housing available for senior citizens. Funds are available to a non-profit society incorporated for the purpose of providing self-contained accomodations for senior citizens. These funds are available in the form of grants, low-interest loans and/or subsidies to assist in the construction and subsequent operation of low rental housing units for senior citizens of low income who may be unable to rent adequate accomodations for their needs.

4. Transportation

British Columbia Hydro offers courtesy fares of 15 cents (as compared with the regular 35 cents fare) to passengers 65 and over who hold a Pharmacare card. This offer applies to British Columbia Hydro buses and most other community bus services in the province.

Bus passes for British Columbia Hydro urban bus services operating in in Victoria and Greater Vancouver may be purchased by:

a) persons 65 and over who are receiving GAIN for 65+ and/or the Federal Guaranteed Income Supplement to to their basic Old Age Pension;

b) persons 60 - 64 years of age who are receiving GAIN for seniors age benefits.

The bus pass is good for 6 months and costs $5.

British Columbia Ferries offers senior citizens who hold a Pharamacare card free passage on all routes Monday through Thursday except on statutory holidays. The Minister of Highways Ferry, the Comox-Powell River Ferry also offers free passage to senior citizens Monday through Thursday, except on statutory holidays.

Biritsh Columbia Rail offers a 25 percent reduction on passenger fares to senior citizens. This applies on any day to any destination along the British Columbia Rail route.

5. Insurance

a) Auto Insurance

Under Autoplan, specific rate classes are available where the owner and principal dirver is 65 years of age or over provided that the automobile is used for pleasure only, not used to drive to and from work, and is not operated by any single driver under age 25. The premiums for these rate classes are lower than premiums paid by other owners and drivers.

b) General Insurance

Program 65 has been developed to meet the need of many senior citizens for economical protection of their personal belongings and effects. To be eligible, the applicant must be a tenant 65 years of age and over.

6. Health and Personal Care

a) Medical Programs

Those 65 years of age and over are allowed a higher ceiling on benefits for the services of chiropractors, naturopaths and physiotherapists: up to $100 a year, as compared with the general allowance of $75 a year. In addition, many senior citizens are eligible for a subsidy on medical plan premiums and, in some cases, may be entitled to free medical and ancillary services (i.e., dental, optometric, etc.)

b) Long Term Care Plan

Under this program, senior citizens who are not able to care for themselves may apply for two types of services:

1) The Homemaker and Home Nursing Services: provides help on a visiting basis in the individual's own home. This service is generally without charge, depending on the person's actual income. If the senior citizen is not able to manage, even with this service,
2) care in a "Retirement Home" or similar facility is provided at an inclusive price of $6.50/day,

regardless of income.

c) Meals on Wheels

This is another householder service for those who are unable to cook or shop for themselves, or to obtain other help for this problem.

d) Pharmacare

Under the Universal Pharmacare program, senior citizens receive 100 percent compensation for the cost of eligible prescription drugs providing they have been resident in the province for a minimum of 90 days. The value of drugs and other Pharmacare eligible supplies paid on their behalf by the government totalled $20 million.

7. Senior Citizen Counsellor Services

A free counselling and information service is offered to British Columbians 60 years of age and over. Volunteer counsellors, who are themselves senior citizens, are available in most areas for consultation and reference on a wide range of matters of concern to seniors. Counsellors submit monthly reports for out-of-pocket expenses and may be reimbursed up to a maximum of $75/month. Government expenditure for this service in

1979 was $108,453.

8. Education

There are special educational services available to senior citizens in British Columbia. Continuing education programs are offered through the universities, colleges and school districts and many of thse programs are available free or at reduced rates to those 65 years of age and over.

9. Recreation

a) The Parks Branch of the Ministry of Recreation offers free camping privileges to senior citizens holding a Pharmacare card at all provincial campsites.

b) The Fish and Wildlife Branch of the Ministry of Recreation offers hunting and fishing licenses to senior citizens for the special rate of $1.

10. Seniors Day Centres Program

The Seniors Day Centres Program provides community-based drop-in centres for the elderly. The centres may provide counselling an information, recreational activities, arts and crafts, together with an opportunity for socialization. The intent is to enable a senior citizen to remain in his own community and avoid becoming shut-in and possibly a candidate for some type of long-term care.

Grants are provided to non-profit societies who operate such centres. The grants assist with building upkeep, utilities, staff costs, and program expenses.

The centres are usually open to all persons of senior age. In some cases, a modest membership fee is charged. The government expenditure on this program in 1979 was $767,719.47.

ALBERTA

Various levels and departments of government, the voluntary and the private sector, have developed general programs and specialized services to meet the needs of persons 65 years of age and over in Alberta.

In 1976, Alberta there were 137,895 persons aged 65 years and over. The projected figure for 1979 is 152,000.

Programs of income support, housing and health benefits as well as an increasing number of community opportunity programs are provided for older persons by the federal and provincial governments. A list of the programs are as follows:

1. Income Security Programs
   - (a) OAS
   - (b) GIS
   - (c) AAIP (Alberta Assured Income Plan)

The Government of Alberta implemented in 1975 the Alberta Assured Income Plan for those who receive the Guaranteed Income Supplement:

- single adults may receive up to a maximum of $45.01/month
- married persons may receive up to a maximum of $47.20/month.

As of 1978, single Albertans 65 years of age and older were guaranteed $325.30 and couples were guaranteed $629.10 per month. In total, 145,709 Alberta seniors received OAS. In December 1978, 79,514 were also eligible for GIS and AAIP programs in 1978.

Health Programs

All senior citizens and their dependents in Alberta are covered, with no premium charge, by the Alberta Health Care Insurance Plan.

The cost of medical services for persons 65 and over for the year ending March 31, 1979 was $336,766 per 1,000 elderly population.

Extended Health Benefits Program provides additonal medical assistance, without payment of premium for registered residents aged 65 and over, their spouses and dependents. Other programs are the following:

a) Alberta Health Care Insurance Plan is responsible for providing benefits for dental goods and services and optical goods and services.

b) Department of Social Services and Community Health is responsible for providing hearing aids, surgical and medical supplies and appliances.

The cost of the Extended Health Benefits Program is

$2,682,654.74 for the year ended March 31, 1978.

The Optional Health Services Program of Alberta Blue Cross is available at no cost to Alberta residents 65 and over and their spouses and dependents through the Albert Health Care Insurance Plan.

Cost of reimbursement to Blue Cross by A.H.C.I.P. amounted to $25,852,953 for 1978-79 fiscal year.

Housing Programs: Several programs have been undertaken by the government to help older persons remain in their own homes.

1) Alberta Pioneer Repair Program which began on July 1, 1979 and replaced the Senior Citizens' Home Improvement Program of Alberta Housing and Public Works provides a grant of up to $2,000 to senior citizen homeowners to repay and improve their own homes.

   Cost of the program is in excess of $36.5 million.

2) Program of Renters' Grants. This program is provided through the Department of Municipal Affairs. A $500 annual grant is paid to any senior citizen who has rented accomodations in Alberta at least 120 days during the year. In 1978, the total cost of the program was $6,420,250.

3) Property Tax Reductions Program. No Albertan pays provincial school tax on his or her residential property.

In addition, if you own and live in your own home, you may be eligible for further assistance of the difference between the provincial school tax reduction and $200.

If you are a senior citizen and own and live in your own home, you may be eligible for further assistance of the difference between the provincial school tax reduction difference between the provincial school tax reduction and $400.

4) Alberta Housing and Public Works. The Alberta Housing Corporation has built subsidized apartment housing for elderly persons. Preference is given to those with lower incomes; rent is 25 percent of monthly income. As of March 1979, there were 127 senior citizens housing projects completed. The 1978-79 capital budget was $58,824,000.

Community Opportunities

Government supported programs are providing some educational, recreational and service opportunities for the elderly. The following is a list of these programs:

1) Federal New Horizons Program: A 126 projects were

funded at a total cost of $703,027.

2) Agricultural and Consumer and Corporate Affairs.

3) Advanced Education and Manpower: Special grants are made available to the Society for the Retired and Semi-Retired to work with the University of Alberta in offering a "Spring Session for Seniors".

Persons 65 years and over may attend universities and colleges in the province on a tuition - free or minimal registration basis.

4) Culture-Drama and Financial Assistance: Available for clubs and senior citizens' centres.

Alberta Culture has two programs of particular interest to senior citizens:

a) The Keepsakes Readers Theatre Program.

b) The Senior Citizens' Facility Grant Program provides financial assistance to senior citizen clubs and centres to renovate and upgrade existing centres and purchase furniture and equipment for the operation of these centres.

Maximum funding is $3,500.

c) Recreation Services for Special Grups and Capital Financial Assistance for Centres.

- The Recreation Services to Special Groups Section of the programs Branch (Recreation and Parks) serves senior citizens as well as other special groups.
  The 1979-80 budget for the senior citizens unit is $14,486.

- Under the Major Cultural Recreational Facility Development Program of the Department of Recreation and Parks, grants were approved for 11 facilities for senior citizens centres at a total cost of $726,589.32 for the fiscal year 1978-79.

Alberta Council on Aging

This is a major province-wide voluntary organization of seniors. Its aims are to promote understanding of older people and to work toward better programs and services for senior citizens. Its membership is now at 2,069.

Social Services and Community Health

The Deparmtent of Social Services and Community Health, through the Preventive Social Services Program funded 36 senior citizens centres in 1978-79.
The total provincial funding was $658,484.

Community Health Nursing Services

All 29 local health authorities provide services to older persons. In 1978, the 29 local health authorities and the nursing station in Worsley provided a total of 17,088 screening and treatments to the 65-74 age groups.

Senior Citizens' Bureau

The Bureau is a small unit of the Research and Planning Division of Social Services and Community Health. It provides information, advice and encourages co-ordination of government programs for seniors.
In 1978-79, $183,887 was provided in grants for various programs and workshops for seniors.

Provision and Utilization of Specialized Services

This section examines the provision and utilization of specialized services by older persons in Alberta. The following is a list of the programs:

1. Home Care

Patients must require a "medical" service such as home nursing, physiotherapy, occupational therapy, respiratory therapy or speech therapy to be eligible for admission to the Home Care Program. There were 6,272 admissions to the C.H.C.P. during the period July 1, 1978 to June 30, 1979.

The total allocation to the Provincial Home Care Program for 1979-80 is $3.5 million.

2. Mental Services

3. Support Services

Social Services such as personal care services and support services are crucial in meeting the needs of the "frail" elderly.

The total Preventive Social Service Provincial Funding for those in 1978-79 was $1,251,554.

4. Adult Day Care

Day care programs can provide, on a daily basis, supervision, social contacts, activities, and some personal care for frail older persons and handicapped persons. There are three day care programs now operating in the province: Southside Day Care in Edmonton, Sherwood Park Nursing Home and Cross Box Auxiliary Hospital in Calgary.

5. Day Hospitals

Day hospitals provide, on a daily basis, medical and rehabilitation therapies, as well as socializing opportunities. The aim of day hospital program is rehabilitation.

There are three geriatric day hospitals in Alberta.

The 1979-90 budget figures for Glenmore and Cross Bow Auxiliary Hospitals are $188,200 and $185,400 respectively. The 1979-80 budget for Dickensfield is $104,885.95.

Residential Services - Lodges and Other Residential Homes

The senior citizen lodge program was initiated by the provincial government in 1958. Lodges are built by the province and administered by foundation with municipalities responsible for the operating deficits.

In 1979, Alberta had 115 lodges with 6,432 beds. The 1978-1979 capital budget for the lodge program was $7,008,000.

In 1979, residents paid up to $190.33 per month for a single room or $168.33 each for a shared double room.

Extended Care - Auxiliary Hospitals Nursing Homes, Other Care Institutions

Extended care is provided to the frail and ill elderly in

Alberta through auxiliary hospitals and nursing homes funded by Alberta Hospitals and Medical Care and through the geriatric centres operated by Alberta Social Services and Community Health.

Approximately 12 percent of the population 65 and older in Alberta reside in long term care settings. This figure includes lodges and private homes for special care.

Auxiliary Hospitals

In 1977, the auxiliary hospitals had a rated capacity of 2,714 beds and an average monthly occupancy rate of 96.06 percent.
The total net operating expenditure was $40,990,791.

Nursing Homes

As of June 1, 1979, there were 77 nursing homes in Alberta contracted under the Alberta Nursing Home Plan; 34 were operated by private enterprise, 11 by non-profit agencies and 32 by districts. As of December 31, 1977, they had a rated cpacity of 6,875 beds.
The net oeprating expenditure per patient day was $17.95 and the net operating expenditure was $44,080,802.

The Albert Home Mortgage Corporation provides loans to voluntary non-profit organizations for the construction of nursing homes. The budget for 1978-79 was $10 million.

Other Care Institutions

Mental Health Services Division, Alberta Social Services and Community Health operates three geriatric centres (Rosehaven Care centre, Claresholm Care Centre and Rayond Home) and the two Alberta hospitals (Olives and Ponoka).

SASKATCHEWAN

In the Province of Saskatchewan, there are a number of programs which are provided for senior citizens. The following will describe these programs and some of the cost factors involved:

Saskatchewan has similar federal/provincial programs as other provinces in Canada:

Old Age Security Pension
Guaranteed Income Supplement
Spouse's Allowance
Canada Pension Plan
Surviving Spouse's Benefit
Disability Pensions

1. The Saskatchewan Income Plan (Senior Citizens' Benefits Program):

   This program was implemented in October 1975 by the Government of Saskatchewan to provide additional income to senior citizens whose major sources of income is the Old Age Security Pension and Guaranteed Income Supplement. The amount of benefits varies from a maxmimum of $25/month to a minimum of $4.50/month/per program.

   The cost estimated for the 1979-90 year is $7,927,000.

2. Saskatchaewan Assistance Plan (SAP):

In cases where legitimate expenses exceed income, senior citizens are eligible for financial assistance under the Saskatchewan Assistance Plan.

The cost of this program for the 1979-80 fiscal year is $10,930,000.

3. Senior Citizens' Home Repair Program

This provincial program provides grants to senior citizens to make repairs on their homes. To be eligible for a grant, an applicant must have an income of less than $7,000 if single or $11,000 if married. The minimum grant is $300 and the maximum grant is $650.

The cost of this program for the 1979-80 fiscal year is $6,000,000.

4. Residential Rehabilitation Program

The purpose of this program is to provide low interest loans up to a maximum of $8,000 to homeowners wishing to upgrade their property.

Loans are only available to seniors who occupy the property and have an adjusted family income of $12,000 a year or less.

The cost for this program is $1,400,000.

5. Public Housing

Public Housing is available to seniors. Rent is based on family income and family size. In no case will it exceed 25 percent of the total family income.

The cost of this program is $7,600,000.

6. Non-Profit Housing for Senior Citizens

Non-profit organizations wishing to construct self-contained housing for senior citizens will receive a grant of 20 percent of the capital cost from the Saskatchewan Housing Corp.

The cost of this program amounts to $1,000,000 of the 1979-80 fiscal year.

7. Pension Pak

This is a program which is available through S.G.I.O. for senior citizens who are receiving the Guaranteed Income Supplement. It will provide an adequate personal insurance coverage at a 30 percent discount.

The cost of this program is $245,800 for 1979-80 fiscal year.

8. Senior Citizens' School Tax Rebate

This is a program which the Government of Saskatchewan first introduced in 1979. It applies to those senior citizens who are 65 years of age or over and own their own property.

Renters' Property Tax Rebate Program

This program applies to senior citizens 65 years and over who are residents of Saskatchewan for at least 6 consecutive months in 1979. The rent rebate is 5 percent of your total rent for 12 months, up to a maximum rebate of $115.

The cost of both programs, that is the Senior Citizens' School Tax Rebate and the Renters' Property Tax Rebate for the fiscal year 1979-80 is approximately $15,000,000.

HEALTH SERVICES

Regional Health Care is provided throughout Saskatchewan by health care regions which employ public health nurses, health inspectors, nutritionists, educational psychologists and other specialists, to provide professional services in rural areas.

There are several programs under this section:

1. Saskatchewan Home Care
2. Saskatchewan Hearing Aid Plan
3. Saskatchewan Aids to Independent Living (SAIL)

This program provides the elderly and the disabled with equipment and aids which facilitate mobility and independent living in their own homes.

The cost of this program is $1,080,000 for 1979-80.

4. Saskatchewan Prescription Drug Plan

This plan is designed to reduce the cost of prescription drugs throughout the province. With a valid Health Card, the individual will pay no more than $2.60 to have their prescription filled.

5. Health Benefits for Social Assistance Recipients

Saskatchewan Health provides supplementary health benefits and servcies to social assistance recipients. The benefit includes: 70 percent of the cost of hearing aids, comprehensive optical services, home nursing and dental services.

6. Community Health and Social Centres

This service has been established sometimes in conjunction with small hospitals and includes facilities for a public health nurse, office space for visiting doctors as well as recreational area for senior citizens.

7. Psychiatric Services

Is provided to senior citizens requiring treatment for mental or emotional problems. The cost of this program is $3,600,000 for the fiscal year 1978-79.

8. Alcoholism Services

This service is provided for people with alcohol or other drug problems.

INSTITUTIONAL SERVICES

1. Special Care Homes

These homes are operated for seniors who are no longer able to maintain their own home.

2. Chronic Care Hospitals

These are large hospitals funded by Saskatchewan Health where patients require more than two hours of care per day.

3. Senior Care Centres

This is a day service provided for seniors within an existing special care home, provided to non-residents of that home.

4. Shut-In Services

This type of service is provided by a group of citizens to persons living at home but having severe mobility problems. This service is usually provided by volunteers.

Legal Aid

The Saskatchewan Legal Services Commission provides free or partially free legal services to groups or individuals in need of a lawyer's service. Eligiblity is based on financial need.

Senior Citizens' Group

There are several senior citizens' groups throughout the province if seniors wish to join an already existing one or they can organize their own group.

Community Recreation Grants

A series of programs of assistance is available to communities to improve and expand recreational opportunities to their students.

Recreation for the Handicapped

The Recreation for the Handicapped Grant is available to community or provincial organizations representing the mentally and physically handicapped.

One grant a year is awarded to organizations making application to the program. The maximum grant which is available is $750.

Saskatchewan Coaching Development Program

This program provides amateur coaches with an opportunity to receive formal training in the art and science of coaching. There is no age limit for eligibility in this program.

Oral History Tapes

This is a program for seniors to assist in sharing their personal experience of early life in Saskatchewan.

Community Museums

Operating grants to a maximum of $800 and special project grants to a maximum of $1,000 are available to the local museums to assist operating costs and support special projects in and around the communities.

Multicultural Programs

Grants for wide variety of ethno-cultural projects are available through the Division of Saskatchewan Culture and Youth.

Saskatachewan Talent Program

The Saskatchewan Talent Program is designed to encourage amateur talent throughout the province to take part in various forms of competitions. All programs are open to all ages and senior citizens are encouraged to enter or participate.

Cultural Activities Grant

This program provides assistance to workshops, special projects, events and touring in arts, heritage/museums, cultural and ethno-cultural projects. Funds available are $2,000 on the provincial scope, $1,500 for regional and $1,000 for local.

Multicultural Support Grant

Assistance is given in support of a wide variety of projects in the area of multiculturism. Multicultural groups or individuals are eligible applicants. Funding is available up to $3,000 or 75 percent of project costs.

Transportation for the Handicapped

The Department of Social Services provides a grant to community groups of 40 percent of the cost of utilizing transportation in those areas of the province that do not have existing transit service. This program provides a refund of 40 percent of the cost of using the local taxi to the senior citizens in towns which use the program.

Senior Travel Cards

The Saskatchewan Transportation Company provides special passes to senior citizens riding their buses. The senior travel card provides 25 percent reduction on one-way fares.

The cost of the program is $121,000 in 1979-80.

Special Senior Travel Packages

This is a custom group tour planning service made available by the Department of Tourism and Renewable Resources at no charge, to provide greater in-province travel opportunities for the residents of Saskatchewan.

Excursions and Charter Services

The Saskatchewan Transportation Service has a number of excursions or charter services for interested groups to any destination of their choice.

Educational Opportunites

This program provides free tuition for those seniors 65 and over who wish to enroll in university classes.

MANITOBA

The following programs are available to those 65 and over living in the Province of Manitoba.

1. Canada Pension Plan
2. Guaranteed Income Supplement
3. Spouse's Allowance
4. Extended Spouse's Allowance
5. Manitoba Supplement for the Elderly
6. Social Allowances Services to the Aged
7. Tax Credit Plans
8. Pensioners' Property Tax Deferral
9. Income Tax Services
10. Manitoba Pensioners' School Tax Assistance Program
11. Transportation Services at Reduced Rate
12. Housing and Related Services:
    a) Elderly Persons Housing Program
    b) Elderly and Infirm Persons Housing
    c) Rent Supplement Program, Elderly and Infirm Persons Housing
    d) Shelter Allowance for Elderly Renters
    e) Critical Home Repair Program
13. Legal Services
14. Multi-Service Centres
15. Nutritional Services
    a) Meals on Wheels Program
    b) Congregate Meal Programs
    c) Home Economics Directorate

16. Health Services:
    a) Manitoba Health Services Insurance Plan
    b) Continuing Care (Home Care)
    c) Adult Day Care
    d) Respite Care
    e) Provincial Public Health Nursing Services
    f) Manitoba Blue Cross
    g) Ambulance and Hospital Semi-Private Plan
    h) Travel Health Plan
    i) Extended Health Benefit Plan
17. Medical Education in Geriatrics
18. Information, Referral, Counselling Services:
    a) Age and Opportunity Centre Inc.
    b) Aged Services, Office of Continuing Care
    c) Brandon Civic Senior Citizens Inc.
19. Education Opportunities:
    a) University of Manitoba
    b) University of Winnipeg
    c) Red River Community College
    d) Winnipeg Adult Education Centre
    e) Institute for Continuous Learning
20. Research, Planning, Consultation:
    a) Aged Services, Office of Continuing Care, Community Services Division, Department of Health
    b) Senior Citizens Regional Councils
    c) Manitoba Society of Seniors
    d) Age and Opportunity Centre Inc.
    e) Aging in Manitoba

  - f) Manitoba Council on Aging
  - g) Manitoba Association on Gerontology

21. Employment:
    - a) Canada Manpower Centre
    - b) Age and Opportunity Centre Inc.
    - c) Senior Citizens Job Bureau
22. Volunteers:
    - a) Friendly Visiting
    - b) Daily Hello
23. Recreation:
    - a) City of Winnipeg
    - b) New Horizons
    - c) Department of Tourism, Recreation and Cultural Affairs
        - i) New Programs Assistance
        - ii) Outreach Program
    - d) Urban and Rural Senior Citizens Clubs/Drop-In Centres

Manitoba Supplement for the Elderly

Is a provincial supplement which is paid to all Manitoba pensioners who receive the Federal Guaranteed Income Supplement and spouses who are eligible for Spouse's Allowance. The supplement amount depends on marital status and the total income from all sources. This supplement is paid quarterly and is not indexed.

Maximum yearly supplement is $93.84 for single, widowed and divorced pensioners or a married pensioner whose spouse is not a pensioner and $202.43 for maried couples both pensioners or pensioner with a spouse in receipt of spouse's allowance.

Social Allowances Services to the Aged

This is a program for aged persons with income insufficient to meet the cost of basic necessities for themselves. Their dependents are also eligible for additional assistance under the Provincial Social Allowances Program.

In keeping with the cost sharing requirements under the Canada Asssistance Plan, financial eligibility for assistance in this program is income tested.

Tax Credit Plans

The Province of Manitoba has instituted two types of tax credits which affect the financial position of the elderly:

a) The Property Tax Credit which is applicable to either owned or rented property provides tax credits up to a maximum of $370 minus 1 percent of taxable income with the restriction that the amount of credit cannot exceed property tax paid or in the case of rental property, 20 percent of total yearly rental payments.

In 1976, 210,000 homeowners and 170,000 tenants received relief through property tax credit plan. Thirty-seven percent of pensioners had their property tax entirely offset by the credits. Thirty-four percent received maximum benefits.

b) The Cost of Living Credit is calculated according to the following formula:
   - 3 percent of personal exemption minus 1 percent of taxable income.

Pensioners Property Tax Deferral

Is a new plan to guarantee that no pensioner is required to give up his or her home because of rising realty taxes.

Income Tax Services

Is a service provided by the Manitoba Tax Credit Office to assist elderly persons with their income tax. This service is provided to all senior citizens housing units, nursing homes and municipal offices and also to shut-ins who are disabled.

The Institute of Chartered Accountants of Manitoba provide, on a voluntary basis, special clinics for senior citizens to have their income tax forms completed.

Manitoba Pensioners' School Tax Assistance Program

This is a program for those 65 and over who own their own home and receive most of their income from pension sources. The Manitoba Government will pay $100 extra assistance to those pensioner homeowners where school taxes exceed $375.

Transportation Services at Reduced Rate

Is provided in the City of Winnipeg and Brandon. Cost in Winnipeg is $.10/trip with a transit card. Cost in Brandon is $.15/trip, no card necessary.

Housing and Related Services

a) The Elderly Public Housing is subsidized rental housing for low income elderly persons; developed, owned and managed by the Manitoba Housing and Renewal Corp. under a Federal/Provincial program whereby the Federal Central Mortgage and Housing Corporation loans up to 90 percent of the capital required by the Manitoba Housing and Renewal Corporation to develop subsidized rental housing.

Rents are charged according to a graduated rental scale geared to income; that is, up to 25 percent of the household's gross income.

As of March 3, 1978, there were 4,484 Elderly Public Housing Units in Winnipeg and 2,166 units in rural Manitoba and another 122 in remote areas.

b) Elderly and Infirm Persons' Housing. This is a federal/provincial program which provides capital and operating assistance to non-profit housing corporations formed by community services groups to develop rental housing for elderly persons. Manitoba housing contributes capital grants of $2,150 for double occupancy suites and $1,700 for a single suite. There are 3,519 units in Manitoba, of which 1,299 units are located in rural Manitoba, 2,220 units in Winnipeg.

c) Rent Supplement Program, Elderly and Infirm Persons' Housing. This is a subsidized rental program to assist elderly persons living in non-profit housing. The program is cost shared 50/50 between the Federal and Provincial Governments. Up to 25 percent of the housing units may be subsidized so that elderly persons unable to afford full-recovery rent may be accepted as tenants. Rents are charged according to a graduated rental geared to income. In 1978, there were 2,041 units licensed under Elderly and Infirm Persons' Housing Act.

d) Shelter Allowance for Elderly Renters. Ths program is designed to assist lower and moderate income senior citizens to pay rent when living in accommodations that are not already subsidized. The amount is based on total income from all sources and is paid on a monthly basis. Maximum rents - $205/month single or $225/month for couples.

e) Critical Home Repair Program

This program will make available grants of up to $1,000 for urgent home repairs for pensioners on Old Age Security, who occupy their own homes. Cost of the program in 1978 was $5 million.

Legal Services

Legal Aid in Manitoba is available in civil and criminal matters for all persons who cannot meet legal expenses because of limited income and assets. To qualify for this program, a person can not earn more than $7,030 annually. Any person receiving Social Assistance, including Old Age Security income supplements would qualify for free legal aid. Legal Aid Manitoba services about 40,000 persons per year.

Multi-Service Centres

Is a multi-functional, multi-service facility, programs and services are provided for persons 60 years of age and over.

the centres are fully staffed, five days a week for planned activities.

There are eight centres in Winnipeg and one in Brandon. Senior centres are funded through the operating budget of the sponsoring agencies. Approximate membership in Winnipeg is 1,496 persons.

Nutritional Services

Three types of nutritional services are provided in Manitoba:

a) Meals on Wheels - This is a volunteer program by approximately 700 volunteers to 1,180 persons of which the majority are over the age of 65.

b) Congregate Meal Programs - The main objective of this program is to provide hot noon day meals to seniors in a setting conducive to eating and social interaction with peers. There are several congregate meal programs operating throughout the province.

c) Home economic specialists and nutritionists provide training sessions and workshops to seniors in various settings throughout the province.

Health Services

a) Manitoba health plan provides medical, hospital and personal care for all Manitobians regardless of their ability to pay. The health insurance plan includes a wide range of medical services including office visits, house calls, doctors' services in hospitals, specific chiropractic, dental and optometric services.

There is also a Universal Pharmacare Plan which provides 80 percent of the costs of prescription drugs in excess of $50/person over 65 years in a calendar year.

In 1979, there were 119,039 persons aged 65 and over registered with MHSC.

b) Continuing Care (Home Care): is a service provided to those persons for whom care at home is the most appropriate form of care. The range of services include nursing and social serviecs, health promotion services, support services, volunteer services, supplies and equipment. The Province of Manitoba completely finances the delivery of Home Care Services. In 1979, some 8,811 persons were receiving home care, of whom 6,564 were age 65 and over.

c) Adult Day Care: is a health and/or social service program whose prime objective is to strenghten the participant's abilities to function within their own homes or community setting by providing socializing opportunites and social relief to families.

The participant pays $3 per day and the Manitoba Health Services Commission provides funding up to a maximum of $7 per day. As of March 1980, 21 personal care homes and one health centre were providing adult day care to their communities.

d) Respite Care: is made available as a Home Care Service for the purpose of providing a period of relief to families caring for a family member in their home.

e) Provincial Public Health Nursing Services: is a delivery service by the Public Health Nursing members of the multi-disciplinary team. The service is designed to positively contribute to the health care of the elderly who are a high risk because of their particular health status, life style or age. The Public Health Nursing case load of persons 65 and over was approximately 2,400.

f) Manitoba Blue Cross: is sponsored by the United Health Services Corp, a non-profit organization registered under the Manitoba Corporations Act. Every resident in Manitoba is eligible for membership in the various plans sponsored by the corporation such as:

1) Ambulance Service Plan
2) Ambulance and Hospital Semi-Private Plan
3) Travel Health Plan
4) Extended Health Benefit Plan

Medical Education in Geriatrics

Manitoba Medical College has been developing a program in the field of Geriatrics. An institute of Gerontology has been set up at the University of Manitoba, this is a certification program of 2 - 4 years. It is being offered to senior persons and/or persons in the field.

Information, Referral, Counselling Services

Is provided by three major organizations: The Age and Opportunity Centre Inc., Aged Services, Office of Continuing Care and the Brandon Civic Senior Citizens Inc.

The Age and Opportunity Centre Inc. is funded by the United Way, Province of Manitoba and Winnipeg Foundation and City of Winnipeg. The funding for the Brandon Civic Senior Citizens Inc. was provided by the Province of Manitoba ($20,500), City of Brandon ($3,500) and United Way ($3,400).

Educational Opportunities

Are available to senior citizens at several institutions free of charge.

Research, Planning, Consultation

Under this section there are approximately seven groups involved in Research, Planning and consultation throughout the province. These are:

1) Aged Services, office of Continuing Care, Community Services Divison, Department of Health
2) Senior Citizen Regional Councils
3) Manitoba Society of Seniors (M.S.O.S.)
4) Age and Opportunity Centre Inc.
5) Aging in Manitoba Study,
6) Manitoba Council on Aging
7) Manitoba Association on Gerontology

Employment for Seniors

Services are available to elderly people in Manitoba through the following organizations:

1) Canada Manpower Centre
2) Age and Opportunity Centre, Inc.
3) Senior Citizens Job Bureau

Volunteers Services

There are two volunteer services being provided to seniors in the Province of Manitoba. They are a Friendly Visitng

Services and a Daily Hello Service. In total there are approximately 335 volunteers providing these services to seniors within the province.

Recreation for Seniors

Senior Citizen Programs are provided by the City of Winnipeg Recreation Department. A Health and Welfare Canada program offers grants to groups of retired people who will undertake activities (New Horizons Program).

The Department of Tourism, Recreation and Cultural Affairs provides two programs whch are available to retired people:

1) New Program Assistance
2) Outreach Program

There is approximately 500 urban and rural senior citizens' clubs/drop-in centres organized throughout the province.

ONTARIO

The 1980 Ontario budget brought increased assistance for Senior Citizens. Tax credits to help offset the burden of property and sales taxes have been replaced by the tax grants to seniors in order to eliminate the lag in benefits and in 1981, eliminate the need to complete complex forms. These grants also apply to everyone receiving the Old Age Security pension regardless of income.

1. Property Tax Grants

The first $500 of a pensioner's annual property taxes for an owned or rented home will be refunded dollar for dollar by provincial grants. This program will cost $214 million in 1980-81 and represents $39 million in additional assistance.

2. Sales Tax Grants

A direct annual grant of $50 will be paid to all Ontario pensioners who receive the Old Age Security pension. This program will provide $41 million for seniors, an increase of $9 million.

3. The Municipal Elderly Residents' Assistance Act

Will be continued, allowing municipalities to provide relief to pensioners.

4. Gains (Guaranteed Annual Income System) Payments

These payments are being increased to provide additional income assistance to low income pensioners. The increases provide for an additional $120/year to single GAINS recipients and $240/year to pensioner couples who receive GAINS. This represents an additional cost of $21 million.

5. Total Additional Costs

Property Tax Grant	$39 million
Sales Tax Grant	9 million
GAINS Increase	27 million
	$75 million

QUEBEC

In the Province of Quebec, the Department of Social Affairs administers programs for the elderly. The Provincial Government has adopted a policy as well as introduced various programs aimed at maintaining the elderly at home. The following is a list of the various programs:

1. Home Services - Provides two types of assistance:
   a) Regular nursing care is available to the elderly at home.
   b) Home care services for the semi-dependent elderly persons of a mental or physical nature in the accomplishment of certain daily tasks.

   It is estimated that in 1978, nearly 1 percent of persons of 65 years and over were visited on a weekly basis totalling approximately 5,000 persons.

   The budget for this service increased from $22 million in 1976 to about $46 million in 1979.

2. Day Care Centres - Forty day are centres are set up to provide certain basic therapeutic services. Twenty-one centres are situated in the Montreal region. In 1977, they housed 4,000 elderly persons on a weekly basis.

   The budget for this service doubled, now amounting to $14 million in 1979.

3. Support Program for Volunteer Organization - The Provincial Government provides assistance to volunteer organizations in order for them to provide services to the elderly such as Meals on Wheels, snow shoveling, social visitation and odd chores around the house.

   The budget for this program in 1979-80 is $5,212,000, and increase of 500 percent from when it started in 1973-74.

   Within the budget approved for volunteer organizations, the help and maintenance home services share of the budget has now risen to $1.5 million in 1979-80.

4. Special Health Programs for the Elderly

   a) Free Drug Program - Is available to persons 65 years of age and over requiring drug medication from a doctor or dentist. This program is administered by R.A.M.Q. - Quebec Health Insurance Society.
   There were nearly 10.5 million prescriptions in 1978 for a total cost of $59,959,533 or $116.75/person.

   b) Free Ambulance Services - Is provided at no cost to all persons 65 years of age and over.
   The budget for this first year of operation cost was $2.6 million and included 56,000 beneficiaries.

5. The Lodging Program - Is available to persons 65 years of age or older who have lost their physical or psychological independence. There are three types of resources for this service:

a) The Host Family - Is available for the elderly who do not necessarily require a Senior Citizen's Home (Boarding Home Concept). In 1979, there were 2,240 host families providing special protection to 6,828 beneficiaries of which 30 percent were elderly and the total cost of the program was $23.5 million of which $7.1 million was spent for the elderly.

b) The Pavillion - Is available for the elderly who have a slight loss of independence and may need assistance in the performance of certain daily activities. These beneficiaries are generally more deteriorated than those of the host family program.

There are approximately 219 pavillions and the operating expenses of these pavillions amounted to $12.7 million in 1979-80 of which about $5.9 million were the elderly.

c) The Senior Citizen's Home - Is a special home for seniors who are incapable of satisfying their personal needs without regular assistance and it provides the necessary medical and nursing care for the elderly.

In 1979, there were 280 licensed public and private homes in Quebec as well as 24 homes in hospital centre for a total capacity of 23,246 places.

In 1979-80, the construction costs for one new place amounted to $33,000 and the net operating cost amounts to approximately $9,300 annually. The total operating budget amounts to about $339.3 million. The major part of this sum is spent on the elderly and they take up 90 percent of the places.

6. Programs for the Elderly Offered by Other Agencies or Departments

a) Land Tax Credits - Is a rebate system to allow income persons either owner or tenants, the credit is applied against the quota of the land tax assessed to the lodging. Cost of the program for the elderly is about $16.5 million for 1980-81.

b) Housing - The elderly spend a large proportion of their revenue for housing, approximately 30 percent and many live or rent low standard accommodations.

The main purpose of this program is to provide financial aid for housing.

i) Subsidized Housing - Is a program that offers low income senior citizens the possibility to live in adequate and reasonably priced housing. At present, there are approximately 29,135 housing units and 11,661 were occupied by senior citizens. By 1982, there will be an additional 13,606 new units ear-marked for seniors.

The total deficit will run to $30 million in 1979 and to $65 million in 1985. Thus the deficit subsidized by the Quebec Government and municipalities will run to $15 million in 1979 and to $32.5 in 1985.

ii) Housing Allowance - Is a proposed program to come on stream in 1980 to assist low income households who are over 65 years of age, who want to live independently, but who are not owners and do not already benefit from direct or indirect rent subsidies.

The proposed budget for 1980 is between $6 million and $8 million.

iii) Housing Restoration - The aim of the program is to restore deteriorated housing of low income families.

The budget has not yet been finalized.

7. Leisure Time - Programs for senior citizens.

   a) The Program of Financial Assistance to Vacation Camps - There are four vacation camps specifically intended for the elderly to encourage those living in urbanized areas to enjoy a vacation in a natural environment. The budget is approximately $34,200 annually.

   b) Quebec Discovery Program - This is a travel program for the elderly to experience travel as a means of learning and is geared for those seniors who could not afford to travel. This program is also for under-privileged persons living either at home or in a public home or with a host family. Budget for this program is approximately $368,000 for the year 1979-80.

   c) Assistance Programs for Senior Citizens Open-Air Centres - This program is for senior citizens to experience enjoyment in open-air locations with the Province of Quebec such as hikes, orienteering, fishing, picking berries, etc. The program extends over 4 seasons and is involved with a 2-day weekend or 4 days during the week. Admission to the program is that the participants must be 55 years of age and over and be retired. The budget forecast for this year is $125,000.

d) Subsidy Program for Special Institutions -

i) Which Houses Senior Citizens - This is a recreational program for seniors. The budget for this program in 1979-80 is $225,000.

ii) In 1979-80, a budget of $750,000 was allocated to the Federation of Senior Citizens' Clubs as well to its affiliated clubs to help pay rental costs, secretarial services and technical and social animation services.

e) Preparation for Retirement Programs - No Information.

The total budget for senior citizen's programs and capital cost in the Province of Quebec is approximately $534,073,733 million.

NEW BRUNSWICK

In the Province of New Brunswick, the Department of Health, Department of Social Services and New Brunswick Housing Corporation administer programs for the elderly. The following is a brief description of the programs:

1. Community Based Services for Seniors

The basic concept is to assist the seniors 65 years of age and over to remain at home in the community as long as possible. It is being carried out in three areas of the province.

- The type of programs would be as follows:

(a) Relief Care
(b) Homemaking
(c) Meals on Wheels
(d) Adult Day Care
(e) Transportation
(f) Friendly Visiting
(g) Handy Person

2. New Brunswick Prescription Drug Program

Is designed to pay for prescription drugs and all those 65 and over in New Brusnwick are eligible for this program.

3. Rental Assistance to the Elderly in the Province of New Brunswick

This is a provincial program to assist senior citizens in private rental accomodations through direct cash assistance.

The level of assistance is based on the total income of an elderly person or couple in need and the amount of rent paid.

4. Assistance is also provided to persons in Homes for Speical Care and in Nursing Homes to the current Old Age Security/Guaranteed Income Supplement level.

5. Items of Special Need

a) Purchase of welfare services on a fee for service or unit cost basis.
b) Purchase of health or medical supplies and services.
c) Upgrade employability or to directly obtain employment.
d) Transportation of a person in need.

Items of Special Need only in an emergency such as:

a) Housing
b) Household Equipment

c) Items of Basic Needs
d) Arrears in Property Tax

6. Current Taxes

Assistance may be granted for the payment of current year property taxes.

7. Funerals and Burials

Assistance may be granted for the cost of funerals and burials.

PRINCE EDWARD ISLAND

The Province of Prince Edward Island basically provides services which are centered around Homes for the Aged, income support, financial assistance to proprietary and non-profit Nurisng Homes, family counselling, information and referral services.

The Department of Social Services in Prince Edward Island currently provides direct services to the province's aged population through the Division of Services to the Aging and the Division of Field Services. At the present time, the government is involved in a study of the aged in Prince Edward Island.

PROGRAMS AND SCOPE OF OPERATIONS WITHIN THE DIVISION

1. Referrals

Referrals from elderly citizens 60 years or age and over.

2. Ways of Meeting Needs

a) Financial Assistance
b) Homemaker Services
c) Meals on Wheels
d) Home Care
e) Other Assessments

f) Housing

3. Homes for the Aged

There are six homes for the Aged who require personal or nursing care.

4. Nursing Homes

Senior citizens who are eligible can receive financial assistance, drugs, prosthesis, etc.

Also the government may provide assistance in management, activities programs, dietary needs, counselling of residents/families, and conducting in-service training for nursing personnel. It also provides subsidies for about 250 residents in private nursing homes.

NEWFOUNDLAND

The Province of Newfoundland has no special income maintenance provisions in their laws for senior citizens.

They look at each case of need on its own individual merit in relation to the Social Assistance Regulations.

1. Institutional Care Program

   This program is almost entirely paid for by the province.

2. The province is presently looking at the possibility of some kind of drug subsidization program.

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